



# ***Daily Report***

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## **China**

**FBIS-CHI-96-097**

**Friday**

**17 May 1996**

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# Daily Report China

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**General**

**PRC: Spokesman's Comments on Sino-U.S. IPR Talks Cited**

OW1605131096 Beijing XINHUA Domestic Service in Chinese 1116 GMT 16 May 96

[FBIS Translated Text] Beijing, 16 May (XINHUA) — In answering questions put forward by reporters at a news conference on 16 May, Foreign Ministry spokesman Cui Tiankai said that the existing differences between China and the United States in the field of intellectual property rights (IPR) can only be ironed out through consultation on an equal footing, and the methods of power politics [qiang quan shou duan 1730 2938 2087 3008] of imposing pressure or retaliation should not be used. There can never be any way out for confrontation [dui kang shi jue dui mei you chu lu di 1417 2123 2508 4815 1417 3093 2589 0427 6424 4104].

A reporter asked: Recently, no progress has been made in Sino-U.S. IPR talks. The United States has unilaterally announced retaliatory measures in trade against China, and the Chinese side has also announced counter-retaliatory measures. Will this affect the most-favored-nation issue and the development of Sino-U.S. relations in future?

Cui Tiankai replied: Regardless of the tremendous efforts and the obvious progress made by the Chinese side in protecting IPR, the U.S. side has determinedly announced a list of retaliation measures against China, which the Chinese side can never accept [jue bu neng jie shou di 0414 0008 5174 2234 0649 4104].

He said that the exchange on a reciprocal basis of the most-favored-nation treatment between China and the United States is an arrangement for mutual benefits, is the basis for normal trade and economic exchanges between the two countries, and is in the interests of both sides.

Cui Tiankai pointed out that maintaining and developing normal Sino-U.S. ties and trade and economic cooperation is in line with the fundamental interests of the two countries. The existing differences between the two sides in the field of IPR can only be ironed out through consultation on an equal footing, and means of power politics of imposing pressure or retaliation should not be used. There can never be any way out for confrontation. The U.S. Government should correct its erroneous decision on the IPR issue in order to retrieve the damage [wan hui sun shi 2187 0932 2275 1136] it has made on Sino-U.S. relations.

**PRC: Spokesman on U.S. Relations, WTO Membership**

OW1605144796 Beijing ZHONGGUO XINWEN SHE in Chinese 1308 GMT 16 May 96

[FBIS Translated Text] Beijing, 16 May (ZXS) — Regarding China and the United States taking retaliatory trade measures against each other, Foreign Ministry spokesman Cui Tiankai said on the afternoon of 16 May at a news briefing that there can never be any way out for confrontation and that the U.S. Government should correct its erroneous decision on the intellectual property rights (IPR) issue in order to retrieve the damage [wan hui sun hai 2187 0932 2275 1364] it has made to Sino-U.S. relations.

He said that on 13 and 14 May, China and the United States held unofficial talks in Beijing at the working level on IPR protection. However, the U.S. side disregarded the tremendous efforts and obvious progress made by the Chinese side in IPR protecting, and no progress was made in the negotiation. On 15 May, the Office of the U.S. Trade Representative determinedly announced a list of retaliatory trade measures against China. This can never be accepted by China.

Cui Tiankai reiterated that differences and disputes between countries should be resolved through consultative talks on an equal footing on the basis of mutual respect. The United States has selected an overbearing act of a coercive nature [qiang zhi xing di ba dao xing wei 1730 0455 1840 4104 7218 6670 5887 3634] and implemented retaliation. As far as China is concerned, the door to talks has always been open. Whether or not there will be further negotiations depends on the sincerity of the U.S. side. Only if the U.S. side proceeds from the interest of the overall situation and holds negotiation on an equal footing, can the problems be properly solved. He again stressed: "The prerequisite is that the U.S. side must have sincerity."

He said: "The United States always likes to think that its own way of thinking is always correct, what it has is always the best in the world, and it always like to be domineering [yi shi ya ren 0110 0528 1090 0086]. However, this habit is not in keeping with the global trends today and should be changed."

As to whether or not mutual trade retaliation between China and the United State will affect the most-favored-nation treatment and Sino-U.S. relations in future, Cui Tiankai said that the exchange on a reciprocal basis of the most-favored-nation treatment between China and the United States is an arrangement for mutual benefits, is the basis for normal trade and economic exchanges between the two countries, and is in the interests of both

sides. Maintaining and developing normal Sino-U.S. relations and trade and economic cooperation complies with the fundamental interests of the people of the two countries. The differences on IPR between the two sides can only be ironed out through consultation on an equal footing, and means of power politics of imposing pressure or retaliation should not be used.

Speaking on China's IPR protection, he said that no matter what action the U.S. side may take, China will continue to make great efforts to protect IPR and hit hard at activities of copyright infringement, because this conforms to its interest in developing China's economy, science, and technology, and conforms to the demands of reform and opening up in China. Whenever any act of copyright infringement is investigated and confirmed, the Chinese Government will mete out punishment for it. As to the adverse impact on investment and trade of U.S. companies in China, it is not caused by the Chinese side, but is precisely caused by the actions of the U.S. side.

Speaking on the issue of China joining the World Trade Organization, he said that, in order to join the World Trade Organization, China must overcome two obstacles. One is that a small number of countries have put forward demands on China that have far exceeded the level of development in China at the present stage. The second is a political one. The World Trade Organization has more than 100 member states, and the United States is only one of them. Excluding China from the World Trade Organization will not obstruct China's economic development. However, if this situation continues over a long period, the World Trade Organization will not be able to be called a world organization in its real meaning.

**PRC: Spokesman on Sino-U.S. 'Mutual Trade Retaliation'**

*OW1705023796 Beijing ZHONGGUO XINWEN SHE in English 0122 GMT 17 May 96*

[FBIS Transcribed Text] May 16 (CNS) — At the press conference this afternoon, Cui Tiankai, a spokesman from the Ministry of Foreign Affairs, talked about mutual trading retaliations between China and the US. He said that there was no way out for antagonism, so the U.S. Government should rectify its wrong decisions concerning intellectual property rights to relieve the harm to mutual relations.

Mr. Cui reaffirmed that divergence and conflicts between two states should be solved through negotiations on the basis of mutual respect and equality. The U.S. was always welcome for negotiations with China. As for further negotiations, this had to be determined by

the sincerity of the U.S. If the U.S. took the whole situation into account and negotiated with China equally, the problem could be solved.

For whether Sino-U.S. mutual trade retaliation would affect the most-favoured nation treatment and the future Sino-U.S. relations, Mr. Cui said that provision of most-favoured nation treatment was a reciprocal arrangement and the basis of mutual economic and trade exchanges, which accorded with mutual interests. The divergence on intellectual property rights could only be solved through negotiation but not through resorting to imposing pressure and retaliation.

For China's protection of intellectual property rights, he said that China would continue to protect such rights and combat piracy, whatever action the U.S. took. This was because such protection complied with economic and technological development and the opening reform in China.

For China's entry to the World Trade Organization (WTO), he said that China should overcome two obstacles first. The first was that some countries posed requirement which surpassed the present development level of China. The second was of political nature. The WTO has more than 100 member countries and the U.S. was only one of them. If China could not enter the WTO, the economic development of China would still not be restricted. However, if this situation continued for a long time, the WTO could not be called a real world organization.

**PRC: Spokesman on 'Peaceful' Nuclear Tests, Law of Seas**

*OW1605142596 Beijing ZHONGGUO XINWEN SHE in Chinese 1306 GMT 15 May 96*

[FBIS Translated Text] Beijing, 15 May (ZHONGGUO XINWEN SHE) — At a news conference on the afternoon of 15 May, Foreign Ministry spokesman Cui Tiankai reiterated that China's basic stand in proposing peaceful nuclear explosions [he ping he bao zha jian yi 0735 1627 2702 3615 3498] is that comprehensively banning nuclear weapons should not hinder explorations and efforts for the peaceful utilization of nuclear energy and should not close the door on mankind's peaceful utilization of nuclear energy.

He made the above remark in answer to a reporter's question about China's position on participating in talks on comprehensively banning nuclear test.

Cui Tiankai emphatically pointed out: Being a signatory of the nuclear Non-Proliferation Treaty, China strictly abides by its treaty commitments and has never engaged in any activities in violation of its commitments. China's

position of opposing nuclear weapons proliferation is constant and unambiguous. China will, as usual, continue to honor its international commitments and play a positive role in maintaining regional and world peace and stability.

When mentioning the statement made by the Chinese Government yesterday on the baselines of the territorial seas in response to a report's request, Cui Tiankai said: Article 15 of the "Law of the People's Republic of China on the Territorial Seas and the Contiguous Zone," which was promulgated in 1992, specifies that the Chinese Government will delimit the baseline of its territorial seas based on a large amount of preparatory work and will announce the decision. This normal legal procedure is a necessary step for implementing the law on territorial seas and contiguous areas. The preparatory work for determining and announcing the baseline of the territorial seas will continue. The Chinese Government will successively determine and announce other parts of the baseline of the territorial seas, including the baseline of the PRC territorial seas around Taiwan and other outlying islands.

#### **PRC: Border Cities Forge Ties With Neighboring Nations**

OW1605133396 *Beijing XINHUA in English*  
1208 GMT 16 May 96

[FBIS Transcribed Text] Nanning, May 16 (XINHUA) — Thirteen Chinese border cities have established close economic and trade ties with neighboring countries since they were designated as open cities in 1992, a national conference was told today in Nanning.

The cities are scattered in southwest China's Yunnan Province and the Guangxi Zhuang Autonomous Region, north China's Inner Mongolia, northwest China's Xinjiang Uygur Autonomous Region and northeast China's Heilongjiang Province.

Government officials in Wanding City, Yunnan Province, have visited several large and medium-sized cities in Myanmar [Burma], resulting in improved economic cooperation.

The import and export value of Wanding, which has a population of only 12,000, rose to 780 million yuan last year.

The Dongxing Economic Development Zone in Guangxi joined hands with a border county in Vietnam to build a Sino-Vietnamese bridge which opened to traffic on April 17, 1994.

The cities have adopted a positive attitude in solving difficulties and problems arising from trade contacts.

In view of a sliding trade volume on the Sino-Russian border in the 1993-94 period, the government of Heihe City in Heilongjiang Province conducted multi-level government talks with relevant departments in Russia and reached agreements on institutional visits, commodity check-ups and cash settlements.

By the end of 1995, Heihe had sent 8,500 Chinese laborers to Russia and obtained a trade value of 1.2 billion US dollars.

#### **United States & Canada**

##### **PRC: Officials on Breakdown of Sino-U.S. IPR Talks**

OW1605141496 *Beijing Central Television Program*  
*One Network in Mandarin* 1100 GMT 16 May 96

[From the "National News Hookup" program; all speakers identified by subtitle]

[FBIS Translated Text] Reporters of this station today interviewed Chinese Government persons in charge on the Sino-U.S. dispute and friction over intellectual property rights [IPR].

[Begin recording] [Unidentified reporter] Why is it that the friction between the PRC and United States over IPR and bilateral trade has continued for years? Are there other reasons? [sentence as heard]

[Zhang Yuejiao, "director of the Department of Treaties and Laws under the Ministry of Foreign Trade and Economic Relations"] I think there are other reasons [sentence as heard]. The U.S. trade representative, my counterpart, also admitted that it was because of political factors in the United States. From their [ta men] talks with us and from what she [ta] saw in China, she had to admit that China had made conspicuous progress in protecting IPR, and that there are changes every year. We are making big strides forward. The outcome, which we do not want to see and which has infuriated the whole nation [ji qi quan guo ren fen kai], is caused by political factors.

[Duan Ruichun, "director of the State Council IPR Working Conference Office"] The move not only has undermined Sino-U.S. cooperation on IPR, but also has hurt Chinese people's feelings and affected bilateral cooperation in the economic, scientific-technological, and cultural areas.

[Shen Rengan, "deputy director of the State Copyright Bureau"] Protecting copyrights is an established policy of our country. We will not give up copyright protection because the Americans impose sanctions against us. We will, as always, continue to improve our legal



system governing copyright protection and protect all copyright-holders' rights and interests.

[Unidentified reporter] Will there be new negotiations before trade sanctions are actually imposed and retaliations are carried out by the two sides?

[Zhang Yuejiao] China's door for negotiations is always open. While we have patiently [na xin de] and seriously [ren zhen de] talked with the U.S. negotiators on many occasions this year, we did not see sincerity on their part. China's door for negotiations is open, but resumption of negotiations rests with U.S. sincerity. I believe the problem can be resolved as long as our two countries negotiate earnestly on an equal footing and in the spirit of respecting each other and considering the overall interests of the development of the two countries' economic, trade, and bilateral relations. [end recording]

#### **PRC: 'Ridiculous,' 'Unreasonable' U.S. Demands Criticized**

*OW1605152196 Beijing XINHUA in English  
1508 GMT 16 May 96*

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — Chinese intellectual property rights experts have criticized the United States for its politically-motivated trade sanctions against China.

Speaking at a State Council IPR Office discussion here today, the experts accused the United States of ignoring the fact that China has made remarkable progress in IPR protection.

Duan Ruichun, director of the IPR office, said, "China has lived up to the terms of the 1995 Sino-US IPR protection agreement, and improvement has been made in enforcing IPR protection laws and regulations with the nationwide campaign last year against infringement."

He said the US's actions are politically motivated, and that it is putting pressure on China by distorting facts, nitpicking about IPR protection in China, and waving a big stick of trade sanctions.

The United States published a list of Chinese goods that face punitive sanctions on Wednesday, after China refused to go along with its unjustifiable demands last month.

After April 7, the US put forward "an emergency action plan" that included many unreasonable and ridiculous demands, Duan said, adding that the plan also told China what it must do in 30-day, 60-day, and 90-day stages.

Duan described the US's actions as interference in China's internal affairs.

Professor Guo Shoukang of People's University pointed out that China has had a law protecting IPR since 1978, and that the nationwide crackdown on infringement last year demonstrate China's achievements that have won it praise from unbiased international IPR groups.

Professor Wang Jiabin of the Chinese Academy of Social Sciences criticized the United States for its unreasonable demand of China to close 13 innocent Chinese CD factories. He told the US that China is gradually becoming a country ruled by law and it will not shut down CD plants unless there is enough evidence that they are breaking the law.

Economist Wang Dongjing explained that China is open to all other countries, not just to the United States, and the US demand to close the plants while allowing US enterprises to replace them is not in keeping with the principles of a free market economy.

Most experts speaking at the discussion called on the United States to give up its call for sanctions, and proceed from common ground to solve the differences through negotiations.

#### **PRC: IPR Office Head's Criticism of U.S. Sanctions Noted**

*OW1605184296 Beijing XINHUA Domestic Service  
in Chinese 1219 GMT 16 May 96*

[By reporter Jiang Guocheng (3068 0948 2052)]

[FBIS Translated Text] Beijing, 16 May (XINHUA) — Persons in charge of relevant departments and some well-known experts in law, economics, and science and technology today criticized the United States for ignoring fundamental facts and unilaterally announcing yesterday a list of trade retaliations [bao fu qing dan 1032 1788 3237 0830] against China using the excuse of so-called existing problems in the area of China's protection of intellectual property rights [IPR]. They strongly called on the United States, in consideration of the overall situation of Sino-U.S. relations, to abandon trade sanctions and resolve differences between the two countries through equal consultations [ping deng xie shang 1627 4583 0588 0794].

At a discussion meeting held today at the State Council IPR Office, IPR experts and persons in charge of relevant departments who participated in the Sino-U.S. IPR negotiations, with a tremendous amount of facts, criticized the United States for putting all kinds of blame and unreasonable demands on China.

Duan Ruichun, director of the IPR office, said China has earnestly implemented various duties specified in the Sino-U.S. IPR protection agreement reached last year

through consultations between the two governments. China's legal system on IPR has reached the world's advanced level and improvements have been made in law enforcement organizations. Following the major IPR protection law enforcement period last year and the campaign to crack down on IPR infringement and piracy during the recent winter, great improvement has been made in law enforcement.

Duan Ruichun said: Recently, out of political need, the United States continuously increased pressure on China by distorting facts, nitpicking about IPR protection in China, and again waving the big stick of trade sanctions.

He said: The United States made indiscreet criticisms [zhi shou hua jiao 2172 2087 0439 5183] and interfered in China's domestic affairs and dished out "an emergency action plan" from 7 to 9 April this year, forcing China to comply with it in 30-day, 60-day, and 90-day stages to satisfy its many ridiculous and unreasonable demands [huang ta.g wu li yao qiu 5435 0781 2477 3810 6008 3061]. After China flatly refused to comply with it, the United States once again listed China as a priority under its "Special Article 301" on 30 April and acted arbitrarily to announce the list of trade retaliations against China on 15 May.

Professor Guo Shoukang of People's University said: Since reform and opening up, China has established a complete legal system on IPR protection. It effectively stopped copyright infringement and piracy, which once existed in some localities, during the IPR protection law enforcement activities in the past year. China has been highly praised for its achievements by unbiased international IPR circles. In 1993, Dr. Bogsch, director general of the World Intellectual Property Organization, said: "The rate of China's achievements in IPR protection is unparalleled."

Professor Guo Shoukang said: China has closed six laser disc plants that infringed upon copyrights, conducted piracy, or produced and sold pornographic audio-visual products, and revoked their production permits.

Regarding the U.S. demand on China to close 13 compact disc [CD] plants which were said to have infringed upon copyrights and conducted piracy and its accusation of China's lack of political aspirations [yi yuan 1942 1959] in IPR protection, Professor Wang Jiabin of the Chinese Academy of Social Sciences said: China is gradually becoming a country ruled by law and it manages and regulates the operations of enterprises in accordance with the law. If it acts according to U.S. demands by confiscating and closing innocent plants without proof, then it also runs counter to U.S. advocacy of ruling by law. The power politics of accusing China of a "lack of political aspirations"

because of its refusal to close innocent plants and impose trade sanctions against China for unwarranted reasons cannot be accepted by the 1.2 billion Chinese people.

Economist Wang Dongjing said: China is open to all other countries, not just to the United States, on the foundation of equality and mutual benefit. The U.S. demand to close 13 CD enterprises while allowing U.S. enterprises to replace them during the Sino-U.S. IPR negotiations is not in line with the principle of a free market economy.

Professor Xu Jia of the China Politics and Law University said: China protects IPR to encourage scientific and technological invention, economic development, and cultural development. China possesses a serious attitude and resolute action in IPR protection, and its achievements are obvious to all.

At the discussion meeting, the majority of those who spoke stressed that, in consideration of Sino-U.S. relations and the common interests of the two peoples, the United States should abandon trade sanctions and return to negotiations to resolve differences between the two countries through consultations.

#### PRC: Consequences of Sino-U.S. Trade War Examined

OW1605134396 Beijing ZHONGGUO XINWEN SHE in Chinese 0936 GMT 16 May 96

[By ZHONGGUO XINWEN SHE reporter Yu Donghui (0151 2639 2547)]

[FBIS Translated Text] Beijing, 16 May (ZHONGGUO XINWEN SHE) — The United States and China have once again announced retaliatory and counter-retaliatory measures due to the intellectual property rights [IPR] dispute. If one compares this year's hit lists with last year's, one may find that both sides take the other's advantage products [you shi chan pin 0327 0528 3934 0756] as their targets, and the value of the affected goods will be larger.

The United States plans to impose a high tariff rate of 100 percent on \$2 billion worth of Chinese textiles and garments, \$500 million worth of Chinese electronic products, and \$500 million worth of other imported Chinese goods. The value of goods in the hit list is \$200 million higher than last year's. On the other hand, China plans to impose additional special tariffs on imported farm and animal products, plant oil, automobiles, and communications equipment from the United States and stop handling applications of American companies for setting up commercial, tourist, domestic and overseas trade enterprises and branches in China.

If these measures are put into practice, it will certainly cause losses to both sides, and the losses suffered by the U.S. side will be greater than those by China, because in the future, American companies will find it very hard to gain access to the gigantic Chinese market [zhong guo ju da de shi chang dui mei shang er yan jiang shi xiong guan man dao zhen ru tie 0022 0948 1565 1129 4104 1579 1034 1417 5019 0794 5079 6056 1412 2508 7160 7070 3355 6670 4176 1172 6993].

China did not want to see the situation in which a trade war is on the verge of breaking out. It appeared because the United States disregarded facts, kept blaming China for failing to effectively protect intellectual property rights, linked the phenomenon of copyright violation and piracy with Chinese Government behavior, and used the means of sanctions to threaten China.

In fact, in the past year, China has made new progress in protecting intellectual rights, especially in the aspect of law enforcement.

In the period between January and August of last year, China intensified the enforcement of laws and regulations related to the protection of intellectual property rights by organizing more than 4,200 rounds of law-enforcement inspections. In Guangdong Province, which was denounced by the U.S. side as an area where piracy and copyright violation were rampant, five rounds of mass action were taken in the past year. In these actions, the authorities seized and confiscated 270,000 illegal CD's and CD-ROM's and more than 200,000 audio and video tapes, and detained 23 people.

Routine inspections have never stopped. Every day 600,000 industrial and commercial administrative personnel and 120,000 cultural product inspectors across the country are on duty. They patrol and inspect the markets. In Shenzhen alone inspections numbered more than 11 million man-times [ren ci 0086 2945]; nearly 250,000 pirated CD's and CD-ROM's and more than 20,000 sets of computer software were seized. In the action last winter, more than 2,300 CD-ROM's containing pirated computer software were seized in Beijing's Zhongguancun.

China's industrial and commercial administrative departments handled nearly 10,000 copyright violation cases. By the end of last year, China's customs exposed 1,084 piracy and copyright violation cases. The border inspection system for protecting intellectual property rights was also adopted.

In addition, seven plants that produce pirated CD's were closed, and supervisors were sent to plants that continued to produce CD's. The SID source code identification system was adopted. The government

issued an order on stopping the open projection of laser discs. In the whole country, 95 percent of the more than 5,000 laser discs parlors were closed down in just two weeks.

It should be said that China did conscientiously carry out the Sino-U.S. agreement on IPR protection. It was hard for the Chinese side to face a situation in which the greater effort it made for IPR protection, the greater pressure would come from the United States. Developed countries cannot completely eliminate the phenomenon of piracy and copyright violation, and such phenomenon also exists widely in many developing countries. However, the United States adopted a discriminatory attitude and set "high standards and strict demands" for China, a developing country, which completed the process in more than 10 years while other countries took several decades to complete in the field of IPR protection.

Experts here pointed out: The United States set higher and higher demands [de cun jin chi 1779 1407 6651 1439], because what it really intended to get was something else [zui weng zhi yi bu zai jiu 6819 5040 0037 1942 0008 0961 6794]. First, it tried to get greater market access under the excuse of IPR protection, and when talking about the Sino-U.S. IPR dispute, the Western media often linked this with China's trade surplus with the United States. Second, to meet their political needs, some people tried to gain more votes through confrontation with China.

According to the Chinese Ministry of Foreign Trade and Economic Cooperation, China's audio-video and computer market has been opened to a high degree; 21 out of the 22 existing CD plants in the whole country are Sino-foreign joint ventures; China has approved the establishment of more than 500 Sino-foreign joint ventures engaged in developing computer software; and many American classic movies have been imported to China and have become very popular in China. Of course, China will never allow anyone to make cultural infiltration by means of unlimitedly exporting audio-video products to China.

An authoritative person in the Ministry of Foreign Trade and Economic Cooperation said: Whether or not the trade war between China and the United States really breaks out or not, China will still continue to adopt major measures for protecting intellectual property rights, because this is China's own need.

It should be noted that since the beginning of this year, trade between China and the European Union has increased rapidly, and the trade volume in the first quarter of 1996 exceeds that between China and the United States by \$400 million. All people of insight are certainly unwilling to see the serious consequences



to Sino-U.S. economic and trade relations which would be caused by a trade war breaking out due to the IPR dispute, and which could even cause losses to Hong Kong and other areas.

It is fortunate that there is still one month from today for the two sides to seek the opportunity of returning to the negotiating table, because sanctions will not help settle the problem. People also hope that China and the United States will work out a plan acceptable to both sides, just as they reached a compromise last year.

**PRC: Radio Cites Academic on U.S. Trade Sanctions**

*OW1705043496 Beijing China Radio International in Mandarin to Hong Kong, Macao, the Zhu Jiang Delta, and Southeast Asia 0900 GMT 16 May 96*

[From the "Around-the-World Vision" program]

[FBIS Translated Text] Dear listeners, the Office of the U.S. Trade Representative, after groundlessly accusing China of failing to comply with the China-U.S. agreement on intellectual property rights [IPR] protection signed in February 1995 and threatening to place China on the priority list for trade sanctions under the Super 301 Clause on 30 April, unilaterally announced on 15 May the imposition of trade retaliations against Chinese exports to the United States, such as textiles, garments, and electronic products, with a total value of \$3 billion. The tariff rates for these products will be raised to 100 percent, and the sanctions will become effective after 30 days.

Such unreasonable action on the part of Washington is of course unacceptable to China. The Chinese people are never afraid of threats and sanctions. In view of the high-handed U.S. action [ba dao di xing jing; probably STC's: 7216 6670 4104 5887 1777], the Chinese Ministry of Foreign Trade and Economic Cooperation issued a solemn statement on the evening of 15 May, assailing the unreasonable U.S. action and announcing tit-for-tat counter-retaliation measures. Pursuant to the provisions in Article 7 of the PRC Foreign Trade Law, China will adopt counter-retaliatory measures against certain products originating from the United States. Of course, retaliation is not China's aim, but a means to safeguard China's state sovereignty and national interests.

As far as this issue is concerned, China has adopted a very clear attitude and stand. China will never barter away its principles and stand in order to dodge the sanctions. On questions involving China's state sovereignty and national interests, there is not the slightest room for China to make concessions. The situation arising between China and the United States is not desirable for

China. On the issue of IPR protection, the Chinese side, always filled with the utmost sincerity and patience, has adopted an extremely serious [ji qi ren zhen di 2817 0366 6126 4176 4104] attitude to deal with the issue, and has exerted a great deal of effort. However, the U.S. side has completely disregarded the overall interests of Sino-U.S. relations and the fundamental interests of the two peoples, and has ignored the Chinese side's efforts and sincerity, repeatedly making a fuss over [da zuo wen zhang 1129 0155 2425 4545] the IPR issue, unscrupulously denouncing Chinese ways of doing things, and arbitrarily demanding that the Chinese do things according to the U.S. will. An investigation of all these shows that perhaps there are other reasons [for the U.S. action]. Research fellow (Li Shunde), deputy director of the Chinese Academy of Social Sciences [CASS] IPR Center, said:

[Begin Li recording] These disputes have arisen because of domestic political and economic needs. On the one hand, the United States wants to protect its economic interests; and, on the other, it wants to meet political demands, especially because this year is U.S. presidential election year. [end recording]

As is known to all, a country's IPR protection level should be commensurate with that country's economic development level as well as its level of legal construction. Needless to say, China is still a developing country. However, China's achievements in IPR protection are obvious to all. Within a short period of several years, China has set up an initial legal system on IPR protection, with the legislation level having basically reached the advanced level required by the international conventions. In a decade or so, China has completed a process that will take several decades or even a century for some other countries to accomplish. Speaking highly of China's IPR protection work, Dr. Boggsch, director general of the World Intellectual Property Organization, said that China's speed in achieving the current results in IPR protection is unparalleled.

Moreover, China has also strictly enforced the laws on IPR protection. Especially in 1995, China carried out inspection in seven key law enforcement areas in accordance with the State Council IPR Office's program of action for effective IPR protection and enforcement. Mr. (Li Shunde) of the CASS IPR Center said:

[Begin Li recording] From our standpoint, the evaluation of China's development (trend) and current state of IPR protection should be objective, comprehensive, and based on the historical perspective, and should not be divorced from the actual conditions in China. I believe that based on the national conditions and current

state of economy, China has already reached a fairly high level of IPR protection. [end recording]

Of course, we admit that there are still various shortcomings in our IPR legislation and protection, and time is needed for gradual perfection and improvement. However, unilateral trade sanctions cannot help solve problems but can only complicate and aggravate them. As a matter of fact, the sanctions benefit neither side. Especially the U.S. side may suffer even greater economic losses because among the Chinese trades affected by the sanctions, there are many foreign-funded enterprises and joint ventures, including a considerable number of U.S.-funded enterprises. Furthermore, as China is already opening up, the U.S. sanctions can only deprive the United States itself of a Chinese market, giving away the vast market to rivals of the United States. We advise the handful of U.S. politicians that they engage in more rational reflection and less high-handed action when handling Sino-U.S. relations

#### **PRC: Last-Minute Compromise To Avert Trade War Expected**

*HK170 82596 Hong Kong EASTERN EXPRESS in English 17 May 96 p 5*

[By Wang Xiangwei]

[PTS Transcribed Text for FBIS] China's leading exporters of silk and textiles yesterday shrugged off the impact of United States punitive sanctions on Chinese exports, saying that although the damage on the already struggling exports is serious, they have prepared, partly by diversifying into European and Latin American markets.

Furthermore, the foreign trade officials said that despite the war of words between the two countries, they expected a last-minute compromise to avert a trade war.

"Of course, the sanctions will have a big impact on our export plans, but we have gone through similar threatened sanctions before, which had never materialised, and I don't think they will this time," an official at the general business department of China National Silk Import & Export, the country's largest silk exporter, said.

Washington has unveiled a preliminary list of some US\$3bn [billion U.S. dollars] (about HK\$23.4bn) worth of Chinese imports, mostly textiles.

Analysts said last night that while the big exporters could offset the sanctions partly through diversification, the small exporters in Guangdong province could suffer more.

"As this is an election year for US President (Bill) Clinton, it is more a political ploy than anything else,"

the official who declined to be named said. His view was echoed yesterday by the officials from China National Textiles Import and Export.

"Our business is as usual and we are not particularly worried," an official at the company's headquarters in Beijing said.

However, other company officials admitted privately that some of the company's customers in the US might cancel their contracts if the sanctions were imposed, and the company's exports would not be fulfilled for this year.

"But it is a political thing between China and US, and we cannot do anything about it," one official said.

The US is one of China's largest buyers of textile products, accounting for more than 10 per cent of the country's textile exports, according to official figures from Beijing.

The real figure could be much higher if the US-bound transit exports through Hong Kong are counted.

The officials said that the quotas and other restrictions the US has imposed on Chinese textiles have already forced Chinese exporters to diversify into other markets such as Europe, Japan, and Latin America.

The silk import-export official said many of the exporters have also turned to the domestic market where the sales of silk garments have been brisk due to the rising income of the urban residents.

#### **PRC: 'Limited Impact' Predicted From Countersanctions**

*HK1705084596 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 17 May 96 p 11*

[By Geoffrey Crothall]

[PTS Transcribed Text for FBIS] Beijing's threat of tit-for-tat sanctions against the United States will have limited impact on US investment in China, Chinese government officials and US executives say.

Sources at the Ministry of Foreign Trade and Economic Co-operation (Moftec) said the proposal to suspend approvals for US investments in commerce, tourism and trade would not affect the bulk of US investment, which was in manufacturing and banking and finance.

"The suspension of examination and approvals for new investments and representative offices will focus solely on the commercial and trade sectors," a Moftec official said yesterday.

"We have no need to extend the ban to other sectors such as industry and finance."

Foreign Ministry spokesman Cui Tiankai said Moftec's hit list spoke for itself.

Asked whether other US projects would be hit, Mr Cui said: "The counter-retaliation measures to be taken by China have already been very clearly specified in the Moftec statement."

He said any adverse effects suffered by US firms in China would be the result of US action, not the fault of Chinese counter-measures.

US business representatives in Beijing were reluctant to comment on the Chinese counter-measures until more details of the products threatened with a 100 per cent import tariff were disclosed. However, the limited sanctions on investment projects brought some measure of relief.

A US joint-venture manager in Beijing said: "From my perspective, I'm glad the proposed sanctions have been largely restricted to the trade sector."

"I think it shows that China realises that if push comes to shove and they have to enforce these sanctions they cannot afford to close the door to US investment even for a short time, because of the knock-on effect that would have on investor confidence here."

Analysts said the chemical and pharmaceutical sector would be hardest hit by the suspension of approvals, as its applications for intellectual property right protection would be put on hold for the period sanctions were imposed.

Without adequate protection for their products, US companies would be reluctant to launch new lines in China, although industry analysts said the level of protection did not inspire much confidence either.

"I can imagine some companies looking at these proposed sanctions, shrugging their shoulders and saying 'so what'," one analyst said.

**PRC: CPPCC Vice Chairman Receives San Francisco Visitors**

*OW1505191096 Beijing XINHUA in English*  
*1700 GMT 15 May 96*

[FBIS Transcribed Text] Beijing, May 15 (XINHUA) — Addressing a delegation from four San Francisco-based Chinese associations, Wan Guoquan expressed the hope here today that all Chinese, both at home and abroad, should unite together and contribute to a strong and prosperous China and to peaceful reunification.

The vice-chairman of the National Committee of the Chinese People's Political Consultative Conference said that most Chinese nationals living abroad are patriotic and have always made contributions to the motherland.

He also praised the Chinese in the United States for having provided relief during China's natural disasters and for their efforts at peaceful reunification of the motherland.

Referring to the Taiwan question, Wan said, "Our policies of 'peaceful reunification' and 'one country, two systems' remain unchanged," and added that President Jiang Zemin's proposition on the issue is in the common interests of all the Chinese people on both sides of the Taiwan Straits.

"The fact that we refuse to promise not to use force is not directed against the Taiwan compatriots, but against foreign forces' interference and the idea of 'Taiwan independence'," he explained, saying he hopes that more Taiwan compatriots will tour the mainland to increase mutual understanding.

The delegation, comprising the four heads of the associations and their wives, arrived in Beijing for a four-day visit at the invitation of the All-China Federation of Returning Overseas Chinese.

**Southeast Asia & Pacific**

**PRC: Cambodia's Hun Sen Reaffirms 'One-China' Policy**

*OW1605074896 Beijing XINHUA in English*  
*0731 GMT 16 May 96*

[FBIS Transcribed Text] Phnom Penh, May 16 (XINHUA) — Cambodia holds that there is only one China in the world and Taiwan is a part of the People's Republic of China, a Cambodian leader said here Wednesday [15 May].

Cambodian Second Prime Minister Hun Sen said the Taiwan issue is China's internal affairs and his country will not interfere in it.

Hun Sen made the statement shortly after Cambodia and South Korea signed a memorandum of understanding on setting up diplomatic missions in each other's capitals.

Hun Sen said his government welcomes Taiwan businessmen to invest in and render humanitarian aid to Cambodia.



**PRC: Zhu Rongji Leaves Indonesia for Bangkok 16 May**

*OW1605131596 Beijing XINHUA in English  
0850 GMT 16 May 96*

[FBIS Transcribed Text] Denpasar, Indonesia, May 16 (XINHUA) — Chinese Vice Premier Zhu Rongji left here for Bangkok this afternoon after a four-day official visit to Indonesia that he described as a successful tour.

At the invitation of Indonesian Coordinating Minister for Production and Distribution Hartato, Zhu arrived in Jakarta Sunday [12 May] for the "Indonesia Summit '96" (high-level economic forum) and started the official visit on Monday.

During the visit, the Chinese vice premier met with Indonesian President Suharto, Vice President Try Sutrisno, Speaker of the House of Representatives Wahono [name as received] and some cabinet ministers.

He held talks with Hartato on bilateral relations and the economic cooperation between the two countries.

The two sides expressed satisfaction with the development of the bilateral relations since the restoration of their diplomatic ties more than five years ago.

The leaders of the two countries also voiced confidence that the good-neighborly cooperation enjoys a strong vitality and broad prospect.

Zhu arrived in Denpasar, capital city of Bali province, Wednesday afternoon to continue his visit.

He told XINHUA that the visit, his first to Indonesia, was very successful and he was deeply impressed by the country.

"There is a great potential in the further development of the cooperation between the two countries," he noted.

Indonesia is the first leg of Zhu's three-country trip in the Southeast Asian region which will also take him to Thailand and Malaysia.

**PRC: Zhu Rongji Arrives in Bangkok, Makes Speech on Ties**

*OW1605133496 Beijing XINHUA in English  
1303 GMT 16 May 96*

[FBIS Transcribed Text] Bangkok, May 16 (XINHUA) — Chinese Vice-Premier Zhu Rongji flew in here today from Indonesia, starting his week-long official visit to Thailand.

In a written statement released at the airport upon his arrival, Zhu said that China and Thailand are close friendly neighbors, and the traditional friendship between our two peoples dates back to ancient times.

"Thanks to joint efforts, friendly bilateral cooperation in various fields has witnessed an all-round development, and the traditional friendship between our two peoples has been increasingly enhanced," he said.

"To develop friendly relations and extensive cooperation between China and Thailand fully accords with the interests of our two peoples, and is also conducive to regional peace, stability and prosperity," said the Chinese vice-premier, who is on his first official tour to the kingdom at the invitation of the Thai government.

"I hope my visit will help further enhance the friendship between our two peoples and promote the friendly relations and cooperation on all fronts," he said.

Thai Deputy Prime Minister Amnuai Wirawan, Chinese Ambassador to Thailand Jin Guihua, and representatives of the Thai business community greeted Zhu and his entourage at the airport.

Thailand is the second leg of Zhu's three-nation Southeast Asian tour. He is scheduled to leave for Malaysia after concluding his visit to Thailand on May 22.

**PRC: Zhu Rongji Speaks at Banquet in Bangkok**

*OW1605171096 Beijing XINHUA in English  
1653 GMT 16 May 96*

[FBIS Transcribed Text] Bangkok, May 16 (XINHUA) — Chinese Vice-Premier Zhu Rongji said here tonight that friendship and ties of cooperation between China and Thailand will have broad prospect in the future.

Speaking at a welcoming banquet given by Thai Deputy Prime Minister Amnuai Wirawan, Zhu Rongji said the two countries are having very good economic cooperation and two-way trade last year exceeded 3 billion US dollars, and it can even grow further.

Cooperation in mutual investment is also proceeding very well, he said.

He expressed the conviction that Thai investors will do even better in China.

He said he and his party will exchange experience with their Thai friends in national development and in dealing with poverty and curbing inflation.

He also expressed the hope that the two nations will learn from each other, help each other, cooperate closely and enter the 21st century together.

Zhu arrived here this afternoon on a week-long official visit at the invitation of the Thai government.

Some three hundred Thai government officials and business people attended the banquet.

Welcoming Zhu Rongji, Amnuai said that he was very glad to have an opportunity to discuss cooperation prospect and program with his Chinese counterpart.

He said that during the past 17 years, China has embarked on a correct road and has maintained rapid growth. China's growth and prosperity are beneficial to the peace and stability of the region.

**PRC: Zhu Rongji Cites U.S. Trade Dispute in Bangkok Speech**

OW1605234496 Tokyo KYODO in English  
2310 GMT 16 May 96

[FBIS Transcribed Text] Bangkok, May 17 KYODO — The trade dispute between China and the United States involving intellectual property rights and possible sanctions will soon be properly resolved, Chinese Vice Premier Zhu Rongji said Thursday [16 May] when he started his official visit to Thailand.

"I believe that the problem will be properly resolved very soon. I am not worried at all," said Zhu, vice prime minister in charge of economic affairs.

During a dinner with about 100 Thai business leaders, Zhu said there are no reasonable grounds for allegations that China has not complied with international intellectual property law as other countries have.

"We closed many factories and cracked down on pirated products, but the U.S. still is not satisfied. Whatever efforts we make, they always claim it is not enough," Zhu said.

Washington claims that Beijing has failed to live up to a 1995 agreement to crack down on widespread infringement of U.S. copyrights, patents and trademarks.

The U.S. has published a preliminary list of 3 billion dollars worth of items targeted for punitive tariffs under the 1974 trade act, focusing on China's flagship exports of textiles and apparel.

China quickly responded by issuing its own list of 3 billion dollars in retaliatory tariffs to be imposed against U.S. telecommunications products and integrated circuits, according to the Chinese top economic official.

The sanctions against Chinese products will make it inconvenient for Americans to buy "cheap and high quality" Chinese products, said Zhu who is accompanied by Chinese Finance Minister Liu Zhongli, Bank of China Governor Dai Xianlong and other officials on the current weeklong visit as guests of the Thai Government.

The Chinese leader will leave next Wednesday for Malaysia where he will end a tour of Indonesia, Thailand and Malaysia. Zhu said the visit is aimed at

contributing to further friendship and cooperation with Southeast Asia.

**Near East & South Asia**

**PRC: Jiang Zemin Arrives in Luxor 16 May**

OW1605160896 Beijing XINHUA in English  
1436 GMT 16 May 96

[FBIS Transcribed Text] Luxor, Egypt, May 16 (XINHUA) — Chinese President Jiang Zemin arrived in the ancient Egyptian capital of Luxor today to continue his state visit to Egypt.

Jiang was greeted by Luxor Mayor Muhammad Youssef and other city officials at Luxor Airport. A grand welcoming ceremony was held there in honor of the Chinese head of state.

Luxor, located on the Nile in Upper Egypt and some 670 kilometers south of Cairo, contains the largest collection of temples and tombs from the Pharaonic era.

After arriving in Luxor, Jiang visited the Valley of the Kings, the burial site of pharaohs of the 18th, 19th and 20th Dynasties.

He also visited the Colossi of Memnon and the Tomb of Queen Nefertari, wife of Ramesses II, at the Valley of the Queens. The tomb, which opened to public in last November, is famous for its vibrant wall paintings.

The Chinese president is expected to visit Karnak Temple and Luxor Temple on the Nile's east bank this afternoon. Karnak Temple, constructed about 2,000 years ago, is the world's largest columned temple.

Jiang and his entourage will leave Luxor for Mali Friday morning.

Egypt is the third leg of Jiang's six-nation African tour which has already taken him to Kenya and Ethiopia. He will also visit Mali, Namibia and Zimbabwe.

**PRC: Nepalese Prime Minister Receives CPC Delegation**

OW1505160696 Beijing XINHUA in English  
1549 GMT 15 May 96

[FBIS Transcribed Text] Kathmandu, May 15 (XINHUA) — Nepali Prime Minister and Leader of the Nepali Congress (NC) Party Sher Bahadur Deuba said today that he was deeply impressed by the economic achievements of the Chinese people during his recent visit to China.

While meeting a delegation of the Communist Party of China (CPC) at his residence here today, Deuba said that he hoped that Nepal, as a neighbor of China, could

benefit from the rapid economic development in China in recent years.

The five-member Chinese CPC delegation, which arrived here today, is paying a five-day visit to Nepal at the invitation of the NC party, the country's main ruling party.

During the meeting, deputy head of the CPC International Liaison Department and leader of the delegation Li Chengren briefed the Nepali prime minister on China's political system and targets of economic development for the next five years.

Deuba, also parliamentary party leader of the NC, hoped that the visit of the Chinese party delegation would further strengthen relations between the NC and the CPC.

**PRC: CPPCC Vice Chairman Arrives in Pakistan  
16 May**

*OW1605104696 Beijing XINHUA in English  
0938 GMT 16 May 96*

[FBIS Transcribed Text] Karachi, May 16 (XINHUA) — A high-level Chinese delegation led by Sun Fuling, vice chairman of the Chinese People's Political Consultative Conference (CPPCC), arrived here today for an eight-day goodwill visit to Pakistan.

The visit is expected to highlight the activities celebrating the 45th anniversary of the establishment of Sino-Pakistan diplomatic relations, which are scheduled to take place in Islamabad next Tuesday [21 May].

The eight-member CPPCC delegation was greeted at the Karachi International Airport by Pakistan's Deputy Chairman of Senate Abdul Jabbar and Speaker of the Sindh Assembly Ghous Buksh Khan Maher as well as Chinese diplomats in the country.

Sun is scheduled to meet with senior officials of Sindh province in Karachi and later with Pakistani Senate Chairman Wasim Sajjad and Speaker of the National Assembly Syed Yousuf Raza Gilani in Islamabad.

He will also visit Lahore, capital of Pakistan's Punjab province, before leaving for China from Karachi next Thursday.

**PRC: Qiao Shi Meets Visiting UAE Official**

*OW1605144496 Beijing XINHUA in English  
1334 GMT 16 May 96*

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — Qiao Shi, chairman of China's National People's Congress (NPC) Standing Committee, met with al-Hajj Bin-'Abdallah al-Muhayrbi, visiting speaker of the

Federal National Council of the United Arab Emirates (UAE), and his party here this afternoon.

Extending a welcome to the speaker on his China visit, Qiao said that the visit is of great significance for increasing Sino-UAE ties, especially links between the two parliaments.

The relations between China and the UAE, both developing countries, have been good, Qiao noted, and the two sides should maintain and promote such friendly ties.

The chairman went on to say that remarkable achievements have been made in bilateral economic and trade ties and he expressed the hope that the two countries will increase economic cooperation on a basis of equality and mutual benefits.

Qiao also briefed the visitors on China's current economic situation and its Ninth Five-Year Plan (1996-2000).

Muhayrbi said that the people of the UAE have a good impression of the Chinese people, and that bilateral economic ties have had good growth. The UAE hopes that the two countries' ties can be promoted in every area, he said.

The speaker told Qiao that the UAE will never forget China's support of the Arab people's cause, and that, "We appreciate China's policy in dealing with international affairs."

Muhayrbi and his party arrived here today as guests of the NPC Standing Committee.

**PRC: UAE Speaker Praises Beijing's Stand on Arab Issues**

*OW1705033896 Beijing XINHUA Domestic Service  
in Chinese 0511 GMT 15 May 96*

[By XINHUA reporter Chen Wenru (7115 2429 1172) and RENMIN RIBAO REPORTER An Guozhang (1344 0948 4545)]

[FBIS Translated Text] Abu Dhabi, 14 May (XINHUA) — Al-Hajj Bin-'Abdallah al-Muhayrbi, speaker of the Federal National Council of the United Arab Emirates [UAE], said today: The UAE attaches the utmost importance to its relations with China and highly appreciates China's stand on the Arab issue.

Muhayrbi made the remarks to the journalists prior to his visit to China. He said: Thanks to the efforts exerted by leaders of the two countries for the years, UAE-Chinese relations have all along been very fine and satisfying. He stressed: His current visit to China is aimed at further strengthening the existing friendly



relations between the UEA and China in accordance with the instructions of President Al Nuhayyan Zayid Bin-Sultan.

Muhayrbi said: During his visit to China, he will hold extensive talks and consultations with Chinese leaders on bilateral relations, Arab and Islamic issues, world peace, and other international issues of interest to both sides.

**PRC: Rong Yiren, UAE Speaker Meet in Beijing**  
*OW1705091296 Beijing XINHUA in English*  
0855 GMT 17 May 96

[FBIS Transcribed Text] Beijing, May 17 (XINHUA) — Chinese Vice-President Rong Yiren said in Beijing today that China attaches great importance to its friendly cooperation with the United Arab Emirates (UAE).

Rong was speaking during a meeting with a delegation of the UAE Federal National Council led by its Speaker al-Hajj Bin-'Abdallah al-Muhayrbi.

He noted that since China and the UAE established diplomatic relations over a decade ago, they have achieved a smooth development in political, economic and cultural cooperation, adding that high-level exchange visits have played an important role in bilateral ties.

Rong said that China applies the five principles of co-existence to state-to-state relations, and the principle of equality and mutual benefit to bilateral economic contacts.

The Vice-President described the UAE as an important country of the Arab region, saying China always stresses the friendly cooperative ties between the two countries.

Over recent years, he said, bilateral economic and trade relations have achieved rapid progress, and there still remains great potential and broad prospects, especially in the energy and petro-chemical fields.

Coming to the domestic situation of China, Rong said that since its reform and opening up, China has made rapid economic growth and reaped considerable results.

By the end of this century, he said, the Chinese people will be able to live a wealthy and comfortable life, which will lead them to the level of those developed countries by the middle of next century.

Al-Muhayrbi said that Sino-UAE relations have been developing under the care of leaders of the two states, and bilateral ties, especially economic and trade relations, have been advancing smoothly since the two nations established diplomatic relations.

He noted that it is a task of the UAE Federal National Council and the Chinese National People's Congress to promote cooperation between the two nations in various fields.

The UAE people hold that China has been playing an important role in safeguarding the peace and stability of the Arab region and the world as a whole, the Speaker reiterated.

**PRC: Yemeni Parliament Speaker, Wu Bangguo Meet in Sanaa**  
*OW1705004396 Beijing XINHUA in English*  
1844 GMT 16 May 96

[FBIS Transcribed Text] Sanaa, May 16 (XINHUA) — Yemeni Parliament Speaker 'Abdallah al-Ahmar met here today with visiting Chinese Deputy Premier Wu Bangguo.

The two sides reviewed bilateral relations between the two countries and ways of developing and enhancing their ties, in the best interest of the two friendly peoples.

During the meeting, the Yemeni parliament speaker expressed his gratitude to China's support to Yemen in the fields of road building and health services as well as other forms of assistance.

He indicated Yemen's desire to develop the scope of bilateral cooperation in all fields while welcoming the establishment of joint investment ventures.

On his part, Vice-Premier Wu Bangguo expressed hope that his visit to Yemen and the agreements concluded by the two countries would help a great deal in opening new horizons for cooperation.

Wu Bangguo conveyed to the Yemeni parliament speaker the greetings of Qiao Shi, chairman of the Standing Committee of the Chinese National People's Congress.

**PRC: Economic MOU Signed With Yemen**  
*OW1705004496 Beijing XINHUA in English*  
1906 GMT 16 May 96

[FBIS Transcribed Text] Sanaa, May 16 (XINHUA) — A memorandum of understanding [MOU] was signed here today between the People's Republic of China and Yemen on the development of cooperation in the fields of oil prospection, production, marketing and refining.

The signing ceremony took place at the premises of the Ministry of Oil and Mineral Wealth.

The memorandum was signed by Xu Pengheng, deputy chairman of the Trade and Economy Commission from

17 May 1996

China, and Yemeni Deputy Minister of Oil and Mineral Wealth Mosie-Eddin al-Dabie [name as received].

### West Europe

#### **PRC: Heseltine Visit To Further Economic Ties**

*OW1505224996 Beijing XINHUA in English  
2021 GMT 15 May 96*

[FBIS Transcribed Text] London, May 15 (XINHUA) — British Deputy Prime Minister Michael Heseltine is to head a large British trade delegation to visit China in an effort to strengthen bilateral economic cooperation, British government officials announced today.

Speaking at a news briefing before Heseltine's China visit, British government officials said that the trade

delegation, which is composed of 270 businessmen, is the largest ever British trade delegation to China.

The delegation, which is due to leave for China Friday [17 May], will visit Beijing, Shanghai and Hong Kong during the week-long tour.

British officials made it clear that the forthcoming visit will deepen bilateral economic and trade cooperation and improve the development of overall relations between the two countries.

During the visit, Heseltine is to meet Vice Premier Li Lanqing and other senior Chinese leaders to discuss bilateral economic cooperation and other issues of common interest.

**Political & Social**

**PRC: China To Reannounce Sea Baselines of Taiwan**

HK1705053196 Hong Kong WEN WEI PO in Chinese  
17 May 96 p A2

[Dispatch by trainee reporter Teng Yueh (3326 1878):  
"Beijing To Publish Sea Baselines of Taiwan and Its  
Outlying Islands After They Are Determined"]

[PTS Translated Text for FBIS] Beijing, 16 May—  
Foreign Ministry spokesman Cui Tiankai said here  
today that in accordance with the stipulation of Article  
15 of the Law of the PRC on the Territorial Sea and  
the Contiguous Zone promulgated in 1992, the Chinese  
Government has determined the baselines of part of  
the territorial sea on the basis of a large amount of  
preparatory work and made it public. This is a normal  
legal procedure and a necessary step for implementing  
the law on the territorial sea and the contiguous zone.

Cui pointed out: Preparations for determining and  
announcing the baselines of the territorial sea will  
continue and the Chinese Government will determine  
and announce in succession the remaining baselines of  
the territorial sea, including re-announcing the baselines  
of the territorial sea of Taiwan and other islands  
associated to it.

Cui stressed: The PRC Government wants to safeguard  
national unity, sovereignty, and territorial integrity and  
this includes the principled stand we have consistently  
reaffirmed, i.e. there is only one China in the world and  
Taiwan is part of China.

**PRC: Team To Draft Ideological Program for Next  
Century**

HK1605083596 Hong Kong SOUTH CHINA  
MORNING POST in English 16 May 96 p 10

[By Willy Wo-Lap Lam]

[PTS Transcribed Text for FBIS] A top-level team  
has been appointed by President Jiang Zemin to draft  
China's "ideological programme for the 21st century".

The document is being prepared by elite cadres and  
social scientists from the Jiang Zemin Office, the  
Propaganda Department and the Central Party School.  
It will be formally adopted at the sixth plenum of the  
Central Committee scheduled for September.

A party source said yesterday Mr Jiang hoped the  
document would point out the political direction of the  
party into the next century.

Mr Jiang has since last year been emphasising the need  
to "talk more about politics" and build up "spiritual  
civilisation". His advisers say it is important to anchor

ideological calls to the people on solid goals which will  
unite the country under the Communist Party.

A party source said Mr Jiang hoped his address to the  
sixth plenum would be as important as Mao Zedong's  
"Yan'an Talk" in the 1930s or Deng Xiaoping's "Four  
Cardinal Principles" of the late 1970s. He added that the  
document would combine a call for economic develop-  
ment with ideological concerns, including promoting  
nationalism and socialism, as well as foiling attempts  
by "hostile foreign forces" to infiltrate the country.

Preparations for the sixth plenum include new propa-  
ganda campaigns to heighten Mr Jiang's stature at the  
core of the leadership after the era of the ailing Mr  
Deng.

The Army's General Political Department has started  
new classes to study the President's contribution to  
military thinking.

Diplomatic analysts in Beijing said the sixth plenum had  
been postponed because of the leadership's inability to  
settle on a "correct" ideological plan.

They said to seize the initiative, Mr Jiang had to take the  
lead over issues including Taiwan and law and order.

National People's Congress Chairman Qiao Shi has  
continued to make indirect criticism of Mr Jiang's "soft"  
policy towards Taiwan President Lee Teng-hui.

Mr Qiao indicated Beijing should not indulge in any  
"wishful thinking" about the concessions Mr Lee was  
expected to make.

There are indications Mr Jiang might use the Army  
to crack down on criminal gangs and illegal political  
organisations.

**PRC: Party, State Organs To Carry Out Internal  
Examination**

OW1605161896 Beijing ZHONGGUO XINWEN SHE  
in English 1342 GMT 16 May 96

[FBIS Transcribed Text] May 16 (CNS) — Various  
discipline inspection teams and bureaux of supervision  
within central authorities and state organs will deal with  
a number of serious cases inside their own institutions,  
said Cao Qingze, Vice Secretary of the Central Commis-  
sion for Discipline Inspection and Minister of Supervi-  
sion. Mr. Cao requested that they had to resolutely over-  
come departmental protectionism. He added that those  
concealing and holding back some cases involving their  
own departments had to be seriously dealt with.

Mr. Cao made his remarks at a meeting on the internal  
examination by Party and government organs. He noted



that the anti-corruption drive registered a good beginning this year and some success was achieved. The minister pointed out that more efforts had to be made on this arduous task before a breakthrough could be made.

Statistics released by ten departments including communication and transport, post and telecommunications, public security and railway service revealed that a total of 164,000 cases reported by the public were dealt with last year. Some 22,000 cadres were given punishment. Of these officials 764 were cadres at county-level and 40 others above department and bureau level.

Mr. Cao said that emphasis had to be placed on some cases involving officials at ministerial level. The commission for discipline inspection and the ministry of supervision are scheduled to conduct examinations in the second half of this year in order to have an understanding of progress made by various departments in dealing with relevant cases.

#### **PRC: Two-Pronged Response to Li Teng-hui Speech Planned**

*HK1705082896 Hong Kong SOUTH CHINA MORNING POST in English 17 May 96 p 10*

[By Willy Wo-Lap Lam]

[PTS Transcribed Text for FBIS] Beijing has decided on a two-pronged strategy in responding to Taiwan President Lee Teng-hui's inauguration speech on Monday.

Officials in Taiwan said yesterday Mr Lee would indicate a "new approach" to relations with the mainland, but without announcing major initiatives.

They said apart from a general expression of goodwill, the only substantial offering could involve gradual steps to speed up direct communications and trading links.

Mr Lee might also make vague references to the exchange of visits between senior officials from both sides.

Sources close to Beijing's Taiwan policymakers said yesterday the Chinese leadership would respond "favourably" to economic and other issues that would yield concrete benefits for the mainland.

For example, if Mr Lee were to unveil a rudimentary programme for direct links, Beijing would follow up with concrete proposals for shipping and trading hook-ups.

However, Beijing would continue to cast doubt on Mr Lee's sincerity and attack his alleged leadership of an independence movement.

"The propaganda salvoes in the mainland media against Lee Teng-hui will not stop," a source said.

He added Beijing would particularly target Taipei's attempts to revive the "rejoin the United Nations" movement in the run-up to the UN General Assembly in September.

A diplomatic analyst in Beijing said the Chinese leadership still deeply distrusted Mr Lee, adding it considered the Taiwan leader to be putting on a show.

The analyst said, however, it was unlikely Beijing would go back to the "war games diplomacy" of March.

He said the Chinese leadership was concentrating on severing Taipei's ties with countries and political entities including South Africa and the Vatican.

A Taiwanese government source said Mr Lee had been making overtures towards Beijing in his latest statements but was unlikely to go beyond expressing hopes that relations could be repaired in the near future.

The Taiwanese source cautioned against expecting Mr Lee to announce major policy changes soon.

"Even though Mr Lee has signalled a friendly gesture to the mainland, he is not going to make any concession in our efforts to increase our international status," he said.

"The Government has its set policy, and the President will be cautious..." he said.

#### **PRC: Li Peng, Qiao Shi Inscribe for Friendship Foundation**

*OW1505142496 Beijing XINHUA in English 1353 GMT 15 May 96*

[FBIS Transcribed Text] Beijing, May 15 (XINHUA) — The China Friendship, Peace and Development Foundation was formally established in Beijing today with the theme of promoting non-governmental foreign exchanges, safeguarding world peace, and accelerating the national construction and social development.

Premier Li Peng's inscription for the foundation reads: "To reinforce non-governmental contact, safeguard world peace and promote common development".

Vice-Premier and Foreign Minister Qian Qichen's inscription reads: "To contribute more to China's non-governmental exchanges and co-operation with foreign countries".

The foundation, launched by the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and with CPAFFC President Qi Huaiyuan as its Chairman, receives funds mainly from foreign donors.

Vice-chairmen of the Standing Committee of China's National People's Congress Wang Guangying, Cheng

Siyuan and Buhe; state councillor Ismail Amat; together with more than 300 Chinese and foreign people, took part in today's inauguration ceremony.

**PRC: Zhu Rongji Inspects Guizhou, Jiangxi 25 Apr-5 May**

*OW1405135196 Beijing XINHUA Domestic Service in Chinese 1025 GMT 7 May 96*

[By reporters Zhou Xiaonong (0719 2556 6593) and Wan Yi (8001 1837)]

[FBIS Translated Text] Nanchang, 7 May (XINHUA) — Zhu Rongji, CPC Central Committee Political Bureau Standing Committee member and State Council vice premier, inspected Guizhou and Jiangxi from 25 April to 5 May. During the inspection, he reviewed poverty-relief work, visited poor counties and farm households, held discussions with state enterprise directors, and listened to work reports by the relevant prefectures, cities, and counties and Guizhou and Jiangxi Provinces. He fully affirmed their achievements in economic construction and social development, which were scored under the correct leadership of the party Central Committee with Comrade Jiang Zemin as the core.

While inquiring about farmers' production and living conditions, Zhu Rongji said: Currently urea prices are too high for farmers, almost double of the factory price; and there are quite a few instances of fake chemical fertilizers and poor quality seeds, which have undermined farmers' interests and aggravated their burdens. These should not have happened. Principal leaders at all levels should take a personal interest in such phenomena and should not let them to continue. After reviewing grain procurement and marketing work, he said: The current market prices of grain are stable and farmers have no "difficulty selling grain." However, some farmers indeed have surplus grain. On condition that market prices of grain will not be driven up, grain departments should procure for reserve as much grain as possible, and banks should support them with working capital.

After inspecting some state enterprises in these two provinces, Zhu Rongji pointed out: There are transient difficulties of all kinds in the economic life; they are no major problems and can be resolved step by step. What is important is to remain sober-minded and conscientiously summarize experiences, and not to whip up a gust of wind nor to blindly follow others. He said: Even though the government has never tightened up money supply and has provided loans on a scale far exceeding the annual production growth since the strengthening of macroeconomic regulation and control in the second half of 1993, why are

many enterprises still experiencing financial strains? The primary reason lies in that a large amount of working capital has been tied up in capital construction. So long as productive enterprises do not divert their working funds for capital construction and so long as their products are marketable and profitable, banks will surely provide full support on working capital needed by productive enterprises. Of courses, enterprises must keep their words and repay capital with interest in time.

Accompanying Zhu Rongji on the inspection tour were senior officials from the State Planning Commission, the State Economic and Trade Commission, the Ministry of Finance, and the People's Bank of China, as well as principal leaders of the Guizhou and Jiangxi provincial party committees and governments.

**PRC: Vice Premier on Education, Foreign Trade**

*OW1605161396 Beijing XINHUA in English 1550 GMT 16 May 96*

[FBIS Transcribed Text] Changsha, May 16 (XINHUA) — Schools must stress the overall quality of their students instead of just teaching them how to take exams, Vice-premier Li Lanqing, member of the Political Bureau of the CPC Central Committee, pointed out during a visit to central China's Hunan Province, between May 10-16.

"It is of critical importance in attaining our magnificent goals for the coming century that the overall quality of all people be improved," Li pointed out.

Because Chinese parents often judge the quality of a school by the number of its students who pass university entrance exams, it puts great pressure on the schools. Li pointed out that schools must help their students to develop in an all-round way — morally, intellectually and physically rather than merely show them how to get good results in examinations.

He demanded that the State Education Commission do more work to change the situation and help schools reform their manner of teaching.

At a meeting with 28 local foreign-trade companies that was also part of his week-long visit, the vice-premier emphasized that enterprises engaged in foreign trade must make a greater effort at becoming efficient and improving quality.

"Only by getting more market-oriented and adopting a new mode of intensive operation can the foreign trade sector overcome its current difficulties and increase exports," he noted.

During his tour, Li also had a close look at local markets to check the price of commodities and listened to work reports by the provincial leaders.

**PRC: Vocational Education Law Goes Into Effect 1 Sep**

*OW1605130396 Beijing XINHUA in English  
1113 GMT 16 May 96*

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — China's new law on Vocational Education will go into effect on September 1, which aims at training more high quality personnel for the country's social progress and economic construction.

Vocational education is an important part of China's education undertaking. The country today has 18,000 vocational schools nationwide with 9.5 million enrolled.

Both vocational middle schools and vocational training centers fall within the range of the new law, which was approved at the 19th meeting of the Standing Committee of the Eighth National People's Congress (NPC) which ended on May 15.

The law stipulates that the employed laborers must obtain academic credentials, training certificates or vocational qualification certificates, and receive necessary training.

China will put emphasis on developing vocational education in rural areas, especially in regions of ethnic groups and poverty-stricken areas.

The unemployed people and the disabled are encouraged to receive training to acquire practical skills, and to support themselves.

According to statistics, several tens of millions of laborers receive training in vocational schools, training centers and enterprises each year.

Meanwhile, the government is encouraging people from all walks of life both at home and abroad to contribute funds to boost the vocational education.

**PRC: Chen Jinhua on Sustainable Development**

*OW1605022196 Beijing XINHUA Domestic Service  
in Chinese 0924 GMT 26 Apr 96*

[FBIS Translated Text] Beijing, 26 Apr (XINHUA) — Chen Jinhua, minister in charge of the State Planning Commission, pointed out today: Sustainable development is a new development concept and an upshot of the "Ninth Five-Year Plan" and Long-Term Targets for the Year 2010. The basis for sustainable development is the protection and rational utilization of China's natural resources. A single-minded pursuit of development speed and a destructive development characterized by

the pursuit of immediate benefits will bring disaster to future generations.

Chen Jinhua made the above remark at a forum sponsored by the State Planning Commission and other units on the occasion marking the publication of the "Chinese Natural Resources Book Series." The book series, whose title was written by Zou Jiahua with inscriptions by Song Ping and Li Lanqing, is China's first multi-volume book series dealing with natural resources. More than 1,000 scholars and experts spent four years compiling the 42-volume, 1,500-character [as published] book series. The book series, taking advantage of 40 years of experience in the comprehensive survey and study of China's natural resources and based on the results of national land development over the past 10 years, scientifically deals with the relationship between resource and population, between resources and environment, and between resources and economic development, as well as with theories and policies on sustainable and coordinated development.

China Environmental Science Publishing House is the publisher of the book series. They are available in ready-reference format; in knowledge-in-depth format covering land, water, minerals, climate, forest, pasture, fishery, wildlife animals, ocean, and tourism; and in a regional format that provides information on natural resources in various provinces, municipalities, and autonomous regions.

**PRC: Road Roller Crushes Illegal Videotapes, CD ROM's in Hainan**

*OW1605111996 Beijing XINHUA in English  
0854 GMT 16 May 96*

[FBIS Transcribed Text] Haikou, May 16 (XINHUA) — Thousands of witnesses applauded at a scene when a heavy-duty road roller smashed a 10-m [meter] -wide and 100-m-long pile of pornographic audio and video products, and pirated CD-ROMs yesterday in this capital of south China's Hainan Province.

The local culture bureau had confiscated a total of 140,000 illegal video tapes and 10,000 copies of pirated CD-ROMs.

A conference on cleaning up the culture market was also held before today's action with the aim of educating bookstore and cinema owners in the relevant laws and regulations.



**PRC: Report Predicts More Meat in Diet**

OW1605030796 Beijing XINHUA in English  
0201 GMT 16 May 96

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — Chinese people will be chewing their way through more meat and fish in the coming years, experts have predicted.

They have said the trend towards smaller bowls of rice and less grain consumption will create a new demand - for animal feed.

By the start of the 21st century the average Chinese family will be eating less grain in a dramatic change to the country's eating habits, according to latest research results from the Chinese Academy of Agriculture.

A research report, "Chinese Grain in the 21st Century" forecasts that by 2000, the demand for grain - mainly rice, corn and wheat - will decrease, while the consumption of meat and aquatic products will increase.

Chinese per capita consumption of grain will drop to 223 kilograms in 2000, and to 214 kilograms in 2010.

By the end of this century, the total demand for grain in the country will be nearly 289.9 billion kilograms.

Meanwhile, the per capita consumption of meat and aquatic products in 2000 will increase to 29.7 kilograms and 10 kilograms respectively, and to 38.9 kilograms and 17 kilograms in 2010.

Huang Jikun, one of the authors of the report, attributed the change to the families being better off financially, urbanization and developments of markets.

He added that the increase of population and demands for meat and aquatic products will impose greater demands for animal feed, such as forage, which are expected to reach 109 million tons by the year of 2000, accounting for 24 percent of China's total demands of grain.

"To a great extent, the real problem of China's grain is forage," Huang said, urging the government to make favorable policies for the development of forage.

**PRC: County Officials Arrested for Graft Allegations**

OW1605161996 Beijing ZHONGGUO XINWEN SHE in English 1342 GMT 16 May 96

[FBIS Transcribed Text] 16 May (CNS) — Vice Party Secretary and deputy director of the Suixi county government, Guangdong, Chen Guangsen and Lin Yao, have recently been arrested for allegedly accepting advantages from a building contractor.

It was revealed that the managers of a contracting company based in Zhenjiang city, after being awarded building contracts of gas manufacturing plants and railroads to be carried out on certain plots of land in Suixi, personally went to the homes of Chen and Lin to offer to each of them a sum of RMB 50,000 on the Lunar New Year Eve 1994 in the hope that they would help expediting the land grant/land recovery issues.

Chen and Lin made confessions to the prosecutors on 5 May that they had accepted bribes. Their family members also admitted having witnessed the "money handover" in their homes.

Both Chen and Lin were deputies of the Suixi County People's Congress. They were formally arrested a day later with the approval of the local People's Congress.

**PRC: Beijing Reemphasizes Reliance on Working Class**

HK1705084996 Hong Kong SING TAO JIH PAO in Chinese 13 May 96 p A2

[Report by special correspondent Linghu Chao-yang (0109 3698 2600 7122): To Prevent Reform from Triggering Social Unrest, Beijing Once Again Brings Up the Slogan of Relying on the Working Class"]

[PTS Translated Text for FBIS] In recent years, while state-owned enterprises have been experimenting with a reform plan in certain localities in China, jobless people have constantly stirred up trouble. For this reason, the central authorities proposed the principle of "preventing reform from triggering social unrest" and the recent slogan of "wholeheartedly relying on the working class" in a bid to give the working class a political position and a sense of being the master of its own affairs during the difficult period of ensuring its economic status so that it will coordinate with the government in continuing reform.

A source said: "Wholeheartedly relying on the working class" sums up decades of the CPC's history of struggle, which was neglected a few years ago, but bringing this up once again definitely is not a measure of expediency. To be in line with the introduction of this slogan, China's media will launch a series of propaganda offensives in this respect, including introducing a model worker every month and giving publicity to values.

It is noteworthy to ask why — while Western values, social norms, and economic modes have been widely accepted by Chinese people over 18 years of reform and opening up — does the authorities' policy decision suddenly place emphasis on "relying on the working class" again?

A Beijing analyst believes that this phenomenon first marks the dying out of a trend of thought. Since the downfall of the "Gang of Four" in 1976, by clearing up the "Cultural Revolution" a group of people in China have attempted to fully negate philosophical ideas and a communist political system founded by Mao Zedong and others, and to introduce Western cultural values and standards. It is a pity that these people who taught others with "a smattering of knowledge" eventually did not get anywhere, even though they temporarily deceived certain people. The majority of Chinese people are tired of these slogans and new terms, which are divorced from China's national conditions and social situation.

Second, to bring up again the slogan of wholeheartedly relying on the working class is the need of reform and economic development. Over the next five to 10 years, tremendous changes will take place in China's economic structure, and the reform of state enterprises basically will be completed. A highly centralized planned structure will be diluted in a gradual manner, while a market economy framework basically will take shape. During this process, state enterprises, on which many people used to rely, will be transformed into privately run shareholding companies or Sino-foreign joint ventures. Under the "optimal combination," many workers — including certain managerial personnel — will be unemployed, while others will be deprived of privileges. All these contribute factors of unrest to social turmoil.

**PRC: Liu Huaqing: Rely on Science To Accelerate Economic Growth**

OW1605132296 Beijing XINHUA in English  
1202 GMT 16 May 96

[FBIS Transcribed Text] Nanchang, May 16 (XINHUA) — Liu Huaqing, a top Chinese leader, has called on workers and officials in east China's Jiangxi Province to speed up economic growth by using science and technology.

While inspecting the old Chinese revolutionary base of Jiangxi, Liu, vice-chairman of the Central Military Commission visited military factories, research institutes and major state-owned enterprises in the cities of Jingdezhen and Nanchang.

Liu, who is also a Standing Committee member of the Political Bureau of the Chinese Communist Party Central Committee, said that manufacturers turning out either civilian goods or military products must overcome their present problems by upgrading technology and equipment.

He said, "On the one hand, we should independently develop our own technology and products. On the other hand, we should step up the reform and open China

wider to the outside world and seize every opportunity to cooperate with overseas companies."

The leader expressed support to the Jingdezhen Huayi Group for its import of technology and equipment for producing ozone-friendly CFC [chlorofluorocarbon] - free refrigerator compressors.

"Green products" have an enormous market potential, he told local officials and workers.

During his stay in Nanchang, he visited the site of the headquarters for the "August 1" Uprising launched by the Chinese Communist Party in 1927 against the Kuomintang regime.

He said, "We must carry forward the revolutionary tradition in the course of the reform, opening up and the modernization drive."

He added: "A nation armed with modern science and technology, as well as a fine revolutionary tradition is powerful and invincible. Only such a nation can always be in an impregnable position."

**PRC: Helping Poor, Needy According to 'Guideline' Rules**

OW1605071296 Beijing RENMIN RIBAO in Chinese  
18 Apr 96 p 1

[Commentator's article: "Help the Poor and Needy Take Road to Common Prosperity—Fifth Talk on Studying and Implementing the 'Guideline'"]

[PTS Translated Text for FBIS] Continuing the coordinated development of the regional economy, gradually narrowing the gap in regional development, stepping up further efforts to help the poor, and eventually realizing common prosperity — these are the important tasks stressed in the "Guideline." They are also the major problems to be noted and resolved with strenuous efforts in the course of implementing the "Guideline." Since the reform and opening up, the people of all nationalities across the country have seized the golden historic opportunity to speed up their development, which has enhanced the country's overall strength and remarkably improved the people's livelihood. The population of the poor in China rapidly reduced from 250 million during the early period of reform and opening up to 85 million during the end of the Seventh Five-Year Plan and further to 65 million during the end of the Eighth Five-Year Plan. During the same period, the number of poor nations in the world increased from 27 to 48 and the population of the poor increased from 1 billion to 1.3 billion and 10 million people are dying every year of hunger or malnutrition. The marked achievements scored by China in supporting the poor, helping



the needy, and taking the road to common prosperity has manifested the immense superiority of the socialist system. When China's economy has developed comprehensively and the people's living standards have improved, we should not neglect the question of the widening gap in regional development and in the incomes of social members. In urban areas, some staff members and retired personnel of the poorly run state enterprises are facing a lot of difficulties. In the rural areas, particularly the remote and border regions, many peasants have not yet resolved the problem of food and clothing. Paying attention to and resolving the problem of poverty of these regions and the masses is not only a major economic matter but also a major political issue related to the country's long-term stability. Comrade Deng Xiaoping pointed out: "The characteristic of socialism is prosperity and not pauperism, and this prosperity refers to common prosperity." We should firmly bear in mind the words "common prosperity," attach great importance to the work of helping the poor and needy, and strive to do the work well. In a country like ours, which has a vast territory and a large population, the relative figure of the poor regions and groups of people does not seem to be big, but the absolute figure is not a small one and it will be no easy job to put an end to poverty. For this reason, we should foster the idea of storming fortified positions as well as fighting protracted battles. Viewed from the overall situation of the country's economic development, a considerable part of the regions are still in a state of poverty. We should uphold the principle of coordinated development of the regional economy, step up implementation of various policies, which can help ease the widening gap, and move in the direction of narrowing the gap. The poverty-stricken areas should carry forward the spirit of self-reliance, plain living, and hard struggle; select key projects and leading industries suited to their local conditions; turn their optimized resources to economic superiority; and not copy the experience of the developed regions, irrespective of their local conditions. The poverty-stricken areas are mainly in the rural areas and so are the poor and needy. Further stepping up help-the-poor work in the rural areas is an important component part of the work of helping the poor and needy as a whole. We should make persistent efforts, earnestly implement the state's plan on helping the poor, and continue to carry out the preferential policies for the economic development of the poverty-stricken areas. It is necessary to increase input in helping-the-poor work, manage well the help-the-poor funds, and take the road of encouraging the poor to get rid of poverty through development. We should mobilize the whole society to show concern for and support the help-the-poor work, and consolidate and develop various forms of help-the-poor work.

In some cities and enterprises, there are also some inhabitants and staff members who have financial difficulties. We should carry out the "warmth delivery project," step up the establishment of the help-the-poor fund and mechanism, and enable these inhabitants and staff members to get immediate help. It is necessary to combine temporary solution with permanent cure; make efforts to help the losing enterprises deepen reform, overcome difficulties, and turn their deficits into profits; and help unemployed workers seek new jobs. We should accelerate the pace of reform of the social insurance system, establish a system ensuring minimum livelihood and a pension compensation mechanism in urban areas, vigorously develop social welfare undertakings and social services, and gradually set up an unemployment insurance system covering all staff members in urban areas that combines unemployment relief with reemployment. In the work of helping the poor and needy, all localities should take note of summing up and spreading the new experience of applying the methods of socialist market economy to help the poor. It should be noted that we have done a lot of work to support the poor in the past. However, a number of localities have remained poor despite the efforts made every year to help the poor. As a result, the help-the-poor work has become a bottomless pit, where there is only input but no output. Many people receiving aid have fostered the mentality of depending on the state and relief. In recent years, some localities have taken a socialist market economic view toward helping-the-poor work and have introduced reform, which helped the poor and also boosted their will, "transfused blood" and also "created blood," solved the temporarily difficulties and also established a mechanism for taking the road to prosperity. They have broken a new path in helping the poor and their experience is worth following. In a word, helping the poor and needy is not an expedient measure, but an important measure which should be persisted in for a long time in the course of the struggle to realize the grand objective transcending the century. We should pool the wisdom and efforts of everyone; regularize, systematize, and standardize the work of helping the poor and needy through concerted efforts; and better serve the overall situation of reform, development, and stability.



### Science & Technology

#### **PRC: Plans for Nuclear Blasts to Irrigate Desert Viewed**

MS1505122496 London *THE GUARDIAN* in English  
15 May 96 p 10

[Report by David Fairhall: "Nuclear Blasts to Irrigate the Desert"; all names as published]

[FBIS Transcribed Text] China has come up with an astonishing scheme to irrigate a desert using nuclear explosives, which it claims justifies its obdurate refusal to support the ban on all underground nuclear tests now being sought by the other nuclear powers.

As delegates gathered in Geneva this week for a final effort to draft a comprehensive test ban treaty (CTBT), the Chinese representative, Sha Zukang, insisted that Beijing was prepared to be "flexible" on the issue of peaceful nuclear explosions.

But she made it clear that China still sees a need for such "peaceful blasts", and other delegations have apparently been briefed on an audacious plan to divert water from the mountains of Tibet.

The scheme would involve creating a 500 mile underground canal to carry water from the Yarlung Tsangpo river to the Taklimakan desert in the remote north-western region of Xinjiang — which coincidentally contains the Lop Nor site where China still tests nuclear weapons.

An outline of the plan — whose implausibility is compounded by a confusing reference to the canal running from west to east when it would seem to run northwards — was contained in a report from Beijing monitored by the BBC on April 20.

It was apparently proposed to the Chinese People's Political Consultative Conference by the physicist He Zuoxiu, who helped develop China's nuclear bomb, and Gong Yuzhi, vice-president of the central party school. The purpose would be to grow forests in the Taklimakan desert. Radioactive contamination would not be a problem, it was argued, because the nuclear explosions would be confined to barren areas.

The Chinese authorities may have calculated that the idea of making the desert bloom would appeal to environmental pressure groups like Greenpeace who protest at their nuclear programme. In fact, both the environmentalists and delegates at the United Nations-sponsored test ban conference are more likely to be alarmed at the prospect of vast forests absorbing water contaminated by the long-lived plutonium and caesium by-products of an atomic explosion.

The aim of the resumed Geneva conference, which Sha Zukang says now has Beijing's full support, is to draft by June 28 a comprehensive test ban treaty that can be opened for signature at the UN general assembly in September.

The other declared nuclear weapons states — the United States, Russia, Britain and France — have already agreed that all tests, however small should be banned, underground as well as in the atmosphere, and have stopped testing weapons.

China is alone in still calling for an exception to be made for peaceful underground explosions which might be used in irrigation, mining, oil exploration or "scientific research" — a term others fear would open a vast loophole for covert weapons development.

"We don't want to see complete denial to developing economies," the Chinese representative said on Monday, arguing that the explosions could be monitored by on-site inspections.

The Chinese are meanwhile expected to carry out two more weapons tests in the next few weeks, and another two in September or October. Beijing says it needs to catch up with the much more extensive American and Russian programmes.

The protest ship Greenpeace, which was damaged while leading the campaign against the recent French tests in the Pacific, is scheduled to sail from Auckland for Shanghai today to support the case for a comprehensive ban and protest against the continuing Chinese test programme.

Asked for her reaction, Sha Zukang said she would discourage the Greenpeace venture.

"It is a waste of money and energy," she said. "We are in favour of the objectives of Greenpeace."

#### **PRC: Center To Launch U.S.-Made Communications Satellite**

OW1605112696 Beijing *XINHUA* in English  
1015 GMT 16 May 96

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — China will launch a telecommunications satellite aboard a locally-made Long March KM-3B launch vehicle in late 1997, said Hao Weimin, General Manager of the China Orient Telecom Satellite Company Ltd, here today.

The satellite, named ChinaStar-1, is being assembled by the Lockheed Martin Corporation of the United States and will be delivered to the Xichang Launching Center in September next year, he said.

According to Hao, the satellite will comprise 24 C-band and 24 Ku-band transponders of 36MHz equal bandwidth, which is equivalent to the total number of transponders at present being used by China's broadcasting and telecommunications enterprises.

With an orbital lifetime of over 15 years, the satellite is expected to meet the increasing demands of telecommunications and broadcasting enterprises for space resources. It will also help improve communications in China's remote countryside so that all Chinese villages will have access to telephone communications by the end of the century, Hao said.

Already overseas and domestic enterprises such as Intelsat and Inmarsat have contacted China Orient, the owner of the satellite about leasing services. In addition, a number of overseas industrial, telecommunications, financial and insurance companies are negotiating with the company to join in the financing, insurance and launching of the satellite.

Initiated by the Ministry of Posts and Telecommunications, China Orient is jointly organized by domestic investors as a state-owned limited company. It operates the orbiting phase of satellites used for communications and broadcasting, satellite control systems, satellite data communications, VSAT satellite navigation and mobile satellite communications.

The satellite will utilize A2100 satellite technology, regarded as "state-of-the-art" in satellite capabilities.

**PRC: China's First Aerospace Show Attracts Foreign Companies**

OW1705091396 Beijing XINHUA in English  
0855 GMT 17 May 96

[FBIS Transcribed Text] Zhuhai, May 17 (XINHUA) — China's Air Force aerobatic display team is to make its international debut during the first ever international aviation and aerospace show to be held in the south China city of Zhuhai in November.

The team will be taking to the skies along with famed air display teams from the air forces of Russia, Britain and France.

They will perform breathtaking aerobatic stunts during the show from November 12 to 18.

More than 400 overseas companies will participate in the prestige event.

Seventy five of the companies such as Boeing, Airbus Industrie and McDonnell Douglas, and delegations from the United States, Canada and the European Union have already ordered exhibition pavilions.

More than 100 advanced civil and military aircraft, rockets including China's Long March series, satellites, aero engines, radar, arms and telecommunications systems, and airport equipment will be on show.

Other events at the show include Chinese parachutists landing on the sea, and the last of this year's world aerobatics competition.

With the world's highest economic growth rate, China and the Southeast Asian region is among the most attractive for aviation and aerospace businesses. And the show is expected to provide a good chance for these businesses to develop this market with great potential.

**PRC: Police, Firemen To Rely More on Science, Technology**

OW1605131196 Beijing XINHUA in English  
1122 GMT 16 May 96

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — Robotic firemen, able to tackle dangerous blazes, are to be recruited in China.

The use of robots, and special fire fighting airplanes, is part of a wide-scale plan to use advanced science and technology to help safety, fight law and order problems and maintain social order.

The robots, as well as special fire fighting aircraft, will be used to deal with emergencies in skyscrapers or hazardous petrol refineries which catch fire.

China's police also plan to rely more on science and technology in its work of maintaining social order and fighting crimes in the coming 15 years.

Sources from an ongoing three-day Conference on Science and Technology Concerning Public Security revealed that public security-related researchers will concentrate on research and the development of special techniques for obtaining, verifying, transmitting and processing information and material evidence during the Ninth Five-Year Plan (1996-2000) period.

The sources said that the public security ministry is scheduled to strengthen the building of an information command system, in a move to facilitate unified command, and make it possible for local police forces to share information and respond quickly to accidents.

At a time when more crimes tend to be cross-regional, and more complicated, the ministry is to put more emphasis on the research of criminal investigation technology and development of a comprehensive information network, in a bid to effectively deal with the trend.



Preventive methods and fire-control technology for dealing with fires in skyscrapers, high-rise homes, underground buildings, as well as petrochemical factories will be the focus of research in the coming years.

Plane and robot technology will be applied in fire fighting, and is expected to be transformed into new equipment for fire brigades across the country as soon as possible.

The ministry also plans to accelerate the training of scientific and technological researchers, and fully upgrade the comprehensive quality of police ranks in the country.

By the end of the century, a team of young researchers is expected to become the leaders in the field of science and technology concerning public security work.

### Military & Public Security

#### PRC: 'Digitized Forces' Developed for Electronic Warfare

HK1705091496 Beijing JIEFANGJUN BAO  
in Chinese 30 Apr 96 p 6

["Military Forum" article by Xue Lianfang (5641 6647 7089) and Wei Yuejiang (7614 1471 3068): "'Digitized Forces' Killer Has Come Into Being"]

[PTS Translated Text for FBIS] With the application of information technology in the military field, a new type of combat troops — digitized troops [shu zi hua bu dui 2422 1311 0553 6752 7130] are quietly moving toward the battlefield of the 21st century. Some people have described digitized forces as if they were something miraculous. In fact, digitized forces enhance their fighting capacity mainly through changing the way information is transmitted. Bearing this characteristic of digitized troops in mind, we can find effective ways to deal with them.

Information inserting [xin xi qie ru 0207 1873 0434 0354]: Digitized forces usually establish information links between various military units, weapon systems, individual soldiers, troops and weaponry, and higher and lower levels, to combine essential factors on the battlefield into an organic whole by means of modern reconnaissance, information handling, and digitized communication techniques. So, as soon as the opposite side obtains a set of communication equipment of the digitized forces, the former can find their way into the latter's network to steal a lot of information or send false information to the network. They also can issue false orders to enemy commanders and soldiers to throw them into confusion. Therefore it is necessary to learn the enemy's frequency and network line-up by various means before fighting a battle so as to find the junctions [jiao cha dian

0074 0643 7820] and possible insertion points [qie ru dian 0434 0354 7820] in order to identify the enemy's code and obtain their documents. In the process of a war, favorable conditions should be utilized and created to insert information at the optimum moment.

Virus interference: Computer viruses are command programs capable of self-reproduction which enter the computer system and cause it to break down. Computer viruses are characterized by their invisibility and infectibility. Computer viruses will find an extensive application in the future hi-tech war because they can be transmitted to the enemy through wires or by wireless means, securely planted in the computer components ordered by the enemy, projected into the enemy's computer system by advanced means when a war is under way, and used to attack the enemy's command and control systems and battle platforms [zuo zhan ping tai 0155 2069 1627 0669]. Therefore, it is possible to pay off producers to build virus-contaminated chips in the equipment to be imported by the enemy or to inject viruses into the enemy's network by technical means. When necessary, the viruses will be "activated" to attack the enemy.

Destruction of joints [jie dian 4634 7820]: The digitized communication equipment of digitized forces has a complicated structure and must be operated by well-trained technicians, so it must have "joints" and "vital points." If these joints and vital points are attacked, the information transmission channel will be blocked and all the equipment may be paralyzed. Long-range firearms can target the joints of the enemy's digitized network to attack, remove, or destroy them. In this way, usually when a point is hit, a relevant part will be paralyzed. A special operational detachment also can sneak into the enemy's network to wreck the vital points.

Wiping out the enemy by "dispersing offensive forces": Long-range warfare is the optimum form of battle sought by digitized forces. To enhance battlefield survival and eliminate the enemy by close combat, non-digitized forces must disperse their strength. They should engage the digitized forces by dispatching many groups of troops, which should move along many routes and in many directions. Strategically, they should disperse their forces, firearms, and weapons, but concentrate their attacks on the same targets. They also should concentrate their interference. In making breakthroughs, they should move toward the enemy in many directions and make breakthroughs in various key points, producing a stalemate [xing cheng jiao zhuo zhuang tai 1748 2052 5231 4192 3692 1966] as soon as possible. In assigning tasks, they should break up the enemy-occupied territory into parts, horizontally and vertically, and assign a group of troops to occupy a part in the shortest



possible time. In this way, they not only can increase battlefield survival and wipe out the enemy at close quarters, but more importantly, can cause information inundation [xin xi fan lan 0207 1873 3131 3448] of the enemy by making use of many targets and many happenings on the battlefield.

**PRC: PLA Builds Communications Network in Northwest**

*HK1705091296 Beijing JIEFANGJUN BAO  
in Chinese 24 Apr 96 p 1*

[Report by Ma Sancheng (7456 0005 2052) and Zhang Zhanhui (1728 0594 6540): "Northwest 'Large Military Communications Network' Realizes Qualitative Leap"]

[PTS Translated Text for FBIS] The northwest "large military communications network," designed to ensure delivery of troops and long-range mobile forces in times of war, has risen abruptly in the northwest, which accounts for one-third of the country's territory. The network initially has developed into a highly sensitive and relatively stable Army-government-people integrated comprehensive guarantee structure. In mid-April, Commander Liu Jingsong of the Lanzhou Military Region told reporters: "A series of military drills organized by the General Staff Headquarters and the Military Region indicate the qualitative leap effected in the northwest 'large military communications network.' It manifests the peacetime-wartime and Army-locality joint guarantee capacity."

The reporters personally witnessed the magnificent sight following the start of the "large military communications network," and participated in the military drills conducted on four occasions since 1993 from Shaanxi's Tongguan in the east to the Taklamakan Desert in Xinjiang in the west: The aviation system was ready at all times to offer ground services to Army jets; the director of the railway bureau personally directed the passage of trains in the control office; the combat-readiness post and technical service stations, composed of thousands of service personnel, ensured the smooth flow of railway trains; and the combat-readiness communications team of the post and telecommunications system joined the drill.

The newly introduced "evaluation chart of the northwest military communication comprehensive security capacity" provided a series of encouraging data:

— The expansion and reconstruction projects of the northwest railway line, based on the Euroasian continental bridge as the trunk, all met the Army's requirements. The whole hub was equipped with military mobile platforms, and the combat-readiness schemes of serving urgent needs all were implemented.

— In light of the needs of the "large military communications network," the aviation system accomplished the survey of transportation means that could be mobilized in time of war, improved the aviation combat-readiness transportation plan, and carried out the military air freight experiment for the fifth successive year.

— The 300,000 professional maintenance workers were active on the northwest criss-cross communications network. There were also more than 20 border counties and construction corps in Xinjiang which carefully maintained the thousands of kilometers of border highways.

— The completion of the 4,000-km optical fiber line brought the building of automation command of the combat troops to the forefront of the whole Army. Wired communications of the units at and above the division and regiment level in the region were 100 percent programmable.

Local party and government organs, as well as the people, made great contributions to casting the shield of the northwest "large military communications network." Under guidance of the Military Communications and Transportation Section of the General Logistics Department, the Army, government, and people in the northwest, as well as the railway, communications, posts, and aviation departments drafted various peacetime-wartime guarantee schemes in combination with the reality of the northwest theater.

**PRC: Jiang Zemin Inspects Shanghai Military Cadres**

*HK1705081896 Beijing JIEFANGJUN BAO  
in Chinese 8 May 96 p 1*

[Dispatch by reporter Wang Wenjie (3769 2429 2638), and special correspondent Wang Yingyang (3076 2019 2876): "When Meeting With Leading Cadres at and Above the Division Level From Army, Navy, Air Force, and Armed Police Corps Stationed in Shanghai, Chairman Jiang Stresses That the Army Should Be Persistently Strict in Training and Management, and Should Constantly Improve Combat Effectiveness"]

[PTS Translated Text for FBIS] Shanghai, 5 May (JIEFANGJUN BAO) — When receiving leading cadres at and above the division level from the Army, Navy, Air Force, and Armed Police Corps stationed in Shanghai, Chairman Jiang stressed: "Our Army is the people's army led by the party, and should always pay attention to politics. The Army should be persistently strict in training and management, constantly improve combat effectiveness, and conscientiously shoulder a sacred mission that both the party and the people have entrusted to it."

From 27 April to 4 May, Jiang Zemin, general secretary of the CPC Central Committee, state president, and chairman of the Central Military Commission [CMC], conducted an inspection of some large and medium-sized enterprises and shops, markets, schools, small residential areas, and youth activities centers in Shanghai. He also presided over a forum attended by leading cadres from Shanghai, Jiangsu, Shandong, Zhejiang and by certain comrades in charge of state-owned enterprises, at which he delivered an important speech.

On the morning of 28 April, Chairman Jiang drove specially to a scientific research unit under the Nanjing Military Region stationed in Shanghai, where he had cordial talks with intellectuals working quietly and took a group picture with them. Chairman Jiang also cordially received squad leader Gong Judong from the "Good Eighth Company on the Nanjing Road," who served in the Army after graduating from college, and encouraged him to redouble efforts in work. In the afternoon, he met with leading cadres at and above the division level from the Army, Navy, Air Force, and Armed Police Corps stationed in Shanghai and delivered an important speech.

Chairman Jiang fully affirmed the contribution made by the units stationed in Shanghai to the building and development of that city. He said: Since the founding of New China several decades ago, Shanghai has attained outstanding achievements in China's socialist construction, which are partly attributable to the Shanghai units' efforts and contribution. Shanghai's reform and construction are going on smoothly, and it is developing a situation whereby the Shanghai units show love for the people and the latter support the former. To achieve the cross-century grand target of construction, Chairman Jiang expressed his hope that the units stationed in Shanghai, along with the people in Shanghai and throughout the country, will redouble efforts to make new and greater contributions.

Chairman Jiang pointed out: Our Army — the people's army led by the party and a strong pillar safeguarding national security — should pay attention to politics at all times. This is a fundamental problem that has a bearing on maintaining both the Army's quality and the correct orientation of army building. Cadres at and above the division level should be more conscious and firm on the question of paying attention to politics, while attaching importance to grasping the Army's ideological and political building well. Paying attention to politics calls for the need to conscientiously study Marxism-Leninism-Mao Zedong Thought, and particularly Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and his ideas on army building in the new period; to strive to raise theoretical level and

political quality; and to ensure that cadres consciously identify with the CPC Central Committee and the CMC at all times and under all circumstances. It is necessary to launch the "four educations" in depth so that a broad spectrum of officers and men will enhance their ability to distinguish right from wrong and good from evil, build a strong ideological line of defense against corrupting influences and degeneration, stand various tests of storm and complicated environment, and use ideological competence to ensure political staunchness.

Chairman Jiang stressed: The Army should shoulder the sacred mission that both the party and the people have entrusted to it, and must have strong combat effectiveness. Being strict in training and management is a fundamental way to strengthen and boost combat effectiveness. Some time ago, the Army successfully launched sea-air-land joint military exercises in the Taiwan Strait, fully demonstrating China's resolve and ability to safeguard national sovereignty and national reunification. The fine military and political quality and mental outlook of the units participating in the exercises were the result of their strict training and management in peacetime. The entire Army should always be on the alert, conscientiously implement military strategies and principles in the new period, deepen training reform, be persistently strict in running the Army, constantly increase the sense of crisis and functions, strengthen management and education, and strive to enhance the capability to carry out basic functions.

Chairman Jiang noted: In light of today's rapid advancements in science and technology, both China's strategy of "revitalizing the nation through science and education" and the Army's ideas on "strengthening the Army through science and technology" are just the correct options made to keep abreast of the times. To study and have a good grasp of advanced branches of science and technology is a pressing strategic task that calls for the need to increase the awareness of study; to truly create a rich atmosphere of loving, learning, and applying science and technology; and to strive to train various qualified personnel who meet the needs of military modernization and operations under high-tech conditions. Leading cadres at all levels should take the lead to study and acquire profound and broad knowledge so that they will genuinely become qualified competent commanders who have a good grasp of science and technology.

Chairman Jiang said: As China is currently concentrating efforts on developing its economy, how to build the Army well with limited military expenditures is an important problem before us. We should make efforts to increase the benefits of using military funding. In view of the inadequate funding and logistical difficulties, we should guard against extravagance and waste. Arduous



struggle and building the Army through diligence and thrift are the fine traditions and political quality of the Army, as well as the guiding principles of army building in the new period which should be upheld on a long-term basis. Army comrades must be attentively subordinate to the overall situation of national economic construction, foster ideas on leading a thrifty life, earnestly manage and use limited funding in grass-roots units and military equipment, and resolutely put an end to extravagance and waste. It is necessary to vigorously develop the production of agricultural and sideline products, and to constantly enhance the capacity for self-sufficiency.

Finally, Chairman Jiang set demands on further improving leading cadres' work style and on carrying out tasks in a down-to-earth manner. He added: I have said repeatedly that the success of work lies in implementation, the key to which lies in cadres. Army cadres at all levels, and notably leading cadres, must take a down-to-earth approach as a basis, and implementation as their responsibility; conscientiously improve their work style; and focus their thoughts and efforts on carrying out tasks. They should spread the idea of doing a solid job in undertakings; oppose the style of leading an idle life; advocate having a high regard for science, and a practical and realistic workstyle; persist in proceeding from actual conditions; tell the truth, do solid work, and seek solid results; oppose formalism and show; promote the method of capturing strong fortifications and daring to fight a hard battle; grasp important and knotty problems; and work in a down-to-earth manner. By improving leading cadres' work style and putting greater efforts into implementing tasks, army building and reform will be constantly promoted.

Accompanying Chairman Jiang to inspect the units were Huang Ju, member of the Political Bureau of the CPC Central Committee and secretary of the Shanghai City CPC Committee; Wen Jiabao, alternate member of the Political Bureau of the CPC Central Committee and secretary of the Secretariat; Fu Quanyou, CMC member and chief of general staff; Chen Bingde, commander of the Nanjing Military Region; Shanghai Mayor Xu Kuangdi; and leading cadres from relevant central departments, including Ceng Qinghong, Wang Zhongyu, Ceng Peiyan, Dai Xianglong, Hong Hu, Zhang Youcai, Teng Wensheng, and Sun Shuyi.

#### PRC: PLA Weapons Used in Taiwan Strait Exercises

HK1705034396 Hong Kong KUANG CHIAO CHING  
in Chinese 16 Apr 96 No 283, pp 22-25

[Article by Huang Tung (7806 2639): "M-Series Missiles and New Navy Equipment — New Weapons in Taiwan Strait Exercises"]

[PTS Translated Text for FBIS] In the middle of March, the naval and air forces of the PLA, as well as the Second Artillery, successively conducted joint-service exercises in the eastern and southern oceans. This showed that new improvements had been realized in operational technologies and in mastering the capabilities of new equipment. The new-type military equipment that appeared in the "three-wave exercises" will be analyzed below.

#### The Accuracy of the 'Dongfeng-15' Is High and Its Power Is Great

The first wave was the test-firing of missiles, and four short-range ballistic missiles were fired in succession. Of these, three hit the target area south-west of Kaohsiung, while one hit the target area north-east of Keelung. These all were telemetered missiles, and the data collected was used to improve firing technology and to further improve the functions of the missiles. These missiles were the "Dongfeng-15" (DF-15, with the export name of M9, the most widespread of the M-series), which has appeared repeatedly since July 1995. Establishing these two target areas was intended to show that the Chinese communists have the capacity and the mastery to carry out attacks on, and blockade multiple targets.

The DF-15 missile is quite an advanced tactical missile developed by China in the 1980s. It utilizes digital computer-controlled technology and is equipped with self-test functions. It is equipped with a solid-fuel rocket engine and has an operational preparation time of less than 30 minutes. Its guidance mode utilizes a new-generation strapdown inertial guidance system, which was developed in the mid-1980s. The strike accuracy reaches a probable circular error of within 280 meters. It is understood that the DF-15 missile is already equipped with end-segment guidance systems, such as active radar and passive infrared guidance modes. The opportunities for the latter are even greater. When equipped with certain end-segment reserve capacities and accurate strike capacity, it is believed that the probable circular error will come down to within 30-45 meters! Combined with a 500-kg high-explosive antipersonnel warhead and a terminal speed in excess of Mach 6, it will be able to produce the force of 1,000 kilograms of explosives, with



a frightening destructive power and a crater diameter in excess of 10 meters.

The DF-15 is the third generation of international ballistic missiles. It widely employed China's scientific achievements in the 1980s, and first appeared in the Beijing Defense Exhibition in 1988. It is believed that by 1989, China already had equipped the Second Artillery with these missiles.

#### **The Characteristics of the Test-Firings on This Occasion**

The maximum range of the DF-15 is 600 km, and its payload weight is 500 kg. Externally, it resembles the U.S. "Pershing I-A" missile, and while the range and payload weight are slightly less, other functions are superior. It can be equipped with a high-explosive antipersonnel warhead and nuclear warheads. It is believed that during this test-firing, they very probably were testing other types of payloads, such as multifunction cluster warheads, mine-laying payloads, electromagnetic pulse payloads (to damage the enemy's various types of electronic equipment and C3I systems), armour-piercing blast warheads (to destroy defense fortifications deep underground as well as the "Chia-shan plan" facilities) and so on.

The DF-15 utilizes a China-developed eight-wheel cross-country mobile launch vehicle, which has both launch and carrying capacities, and can coordinate with advanced digital C3I computer systems. Thus the missile is mobile and flexible, can strike or be hidden, and has a powerful force. It is the "expert" of the Second Artillery units. In the future, apart from being fitted with continually developed new warheads, it will be equipped with a global positioning system, which is coordinated with a new-type ring laser gyroscopic inertial guidance system. The speed of the computer operations on board will be increased so as to further improve strike accuracy, new task-based software will be developed, and the strike range will be extended. The price of the M9 missiles is only about one-quarter the price of equivalent missiles. They are cheap and powerful weapons, and they fully show that Chinese people are not inferior in skills to foreigners in the sphere of sophisticated technology. Their technological level is even a little superior to the Russian SS-23 ("Spider") missiles, which were put into service in the 1980s.

#### **Escort Vessels Again Show Their Prowess**

In the second-wave live-ammunition sea and air exercises, conducted from 5 to 20 March, the ships in the sea appeared on television generally similar to those in the exercises in October of last year, but on this occa-

sion there were a greater number of close-up shots of the weapons on board. They tried to emphasize that under complex weather conditions, there was close coordination between the sea, air, and submarine forces, and that electronic warfare ran through the whole course of the exercises. "The number of service arms and weapon types participating, the number of sorties flown and the number of aircraft deployed, the amount of live ammunition fired, the degree of difficulty of the exercises, and the complexity of the coordination have rarely been seen in recent times." The various types of naval ships involved totaled close to 50, and these exercises brought together the cream of the three major fleets.

#### **Electronic Reconnaissance Ships Also Came on Stage**

It is worthy of pointing out that during these exercises, China utilized new-type electronic reconnaissance ships. Among the more prominent were the V856, a ship of the "Xingfengshan" class, the V350 of the "Xiangyanghong 209" class, the V841 of the "Dadi" class and other scientific survey ships. All shouldered electronic reconnaissance tasks and were able during the exercises to keep an eye on the movements of the Taiwan and U.S. forces. (For example, when the ballistic missiles were test-fired, they could use the "Yanqi"-class vessel V201, which is an electronic tracking and measurement ship.) The use of such reconnaissance ships in exercises was not common in the past, and their presence at this time means that the PLA is assigning more attention to intelligence sources and to the work of collecting intelligence. China's electronic reconnaissance ships all use the prefix "V" before their designation numbers in order to assist in distinguishing them.

#### **The Submarine Units See Renewal and Upgrading**

In the air-sea exercises, apart from the essential 033 "R"-class and the newer 035 "Ming"-class submarines, we also saw the appearance of a 091 "Han"-class nuclear attack submarine, which is the pearl in the navy's crown; the newly developed 039 "Wuhan C"-class submarines, which are also referred to as "Song"-class; and the 877EKM "Kilo"-class (abbreviated to "K"-class) conventional attack submarines, which were purchased from Russia.

The newly manufactured 039-model submarine is China's new submarine rapid attack weapon. It was first launched on 25 May 1994. The submarine is 75 meters long, and 8.4 meters wide, giving a length-breadth ratio of 8.9, about the same as that of the 035-type. The submarine is equipped with a seven-blade large slanted propeller and shock-absorbance for the main engine. The body of the submarine is water-drop

shaped and it has a "Ji-xi" [2623 5045]-type bridge and a wrap-casing rudder. It may possess the capacity to launch antiship missiles from underwater. Seen from the color of the submarine's hull, it is already using damping tiles similar to those used on the "K"-class submarines. Overall, their shape is like that of the Japanese submarines and their technology is equivalent to the international level of the early 1980s. They are a great advance on the 035-type.

The 877EKM is the export model of the "K"-class advanced conventional submarine, which has been produced by Russia from the 1980s until today. The "K"-class submarine utilizes the water-drop shape and a T-shaped stern rudder. They are 72.6 meters long, and 9.9 meters wide, giving a length-breadth ratio of 7.45. They can dive to 300 meters and have a water displacement of 30,760 tons. Underwater, they have a speed of 17 knots. The personnel on board total 52, and the submarine has a self-supply capacity of 45 days. It has reserve buoyancy of 32 percent. It has a dual-level hull structure. It has six 533 mm torpedo tubes, 18 53-system homing or wire-guided torpedoes [yu lei cha 7625 7191 0643], 24 AM-1 underwater mines or eight SA-N-5 "Arrow" standby anti-aircraft missiles. It has passive infrared guidance and is equipped with boat hull active/passive search sonar and active attack sonar. China has purchased two 877EKM-type submarines, and these appeared in the exercises last year and this year.

The improved 636-type submarine of the "K"-class is 73.8 meters long. The main engine is equipped with a shock-absorbing base and drives a large single-shaft, slanted seven-blade propeller (the 877-type has a six-blade propeller). The submarine's hull is covered with sound damping tiles, further reducing noise. It is equipped with six modified SA-N-8 "Needle"-model anti-aircraft missiles, and an MVU-110EM automatic digital command and control system. It can track five targets concurrently, and the West considers this sort of submarine to be extremely quiet. Taiwan is concerned about the fact that China is going to purchase two submarines of the 636-type and its precursor, the 877EKM, and about the domestically produced 039-type advanced submarines, and thus is now accelerating its efforts to purchase submarines from abroad. However, it has been refused on each occasion.

#### **The Scale of the Air-Land-Sea Exercises Was Expanded, and They Were Conducted in Raging Storms**

From 18 to 25 March, the third-wave air-land-sea joint landing exercises were carried out at Pingtan, in Fujian.

Over the entire course of the tactical drills during the landing combat exercises, there were similarities

with the 30,000-man, air-land-sea combat exercises conducted in November of last year by the Nanjing Area Command on Dongshan Island in southern Fujian. However, this time more than 30,000 troops took part and more equipment was involved. The exercises, from taking control of the sea and the air in order to swiftly carry out loading and crossing, from the armoured units' fighting to take control of the beaches to where paratroopers and airborne troop units directly landed, from multilevel firepower attacks to multiroute attack breakthroughs, and from three-dimensional penetration and separation of enemy forces to attacks in depth and beyond the target, mobile tactics were utilized — including shoulder-to-shoulder rapid assault, double envelopment attacks, deep thrusts through exploiting weaknesses, assaults beyond specific objectives, and so on. **It is worthy of attention that these exercises were carried out under complex weather conditions. The weather and sea conditions gave rise to powerful winds and huge waves, and poor visibility in the air. This was no different from exercises being conducted during a typhoon.** Some of the scenes from the exercises shown on television included units, with covering fire from fighter aircraft, crossing by sea to the beach-head front. After formations of fighters took control of the air, destroyer formations on the sea, composed of 052 "Luhu"-class, 051-G "Luda III"-class and 051 "Luda"-class ships, as well as 053H "Jianghu"-class system escort vessels and 055 "Jiangwei"-class escort vessels, "engaged in intense electronic confrontation with, and missile firing against enemy ships," and engaged in anti-aircraft and antisubmarine confrontation with those "enemy planes" which broke through the air blockade and with submarines. All through, they continued to protect the landing craft groups, which headed toward the beach. The ships' guns, the attack fighters, and the bombers provided more intense and accurate support fire than before and wiped out the "enemy position" firing points. The 10-type mine-sweeping and 037 "Hainan"-class submarine-hunting ships, under covering fire, cleared mines and destroyed obstacles in shallow water and on the beach, and led the landing ships in the assault. It is worthy of note that as the 037 "Hainan"-class submarine-hunters approached the beach, when the 10-type mine-sweepers were unable to clear the mines in a timely way, or they struck solid underwater obstacles, the former could use its four 62-model five-tube antisubmarine rocket launchers to explode the mines. This tactic undoubtedly has existed for quite some time, but this is the first time that it has been formally shown. This can be seen as a swift, effective, and economical method that can save precious time.

After suppressing the "enemy position" firing points, the traditional 77-type amphibious armoured transport



vehicles (an improved version based on the 63-type amphibious tank chassis) advanced toward the beach with the support of the 63-type amphibious tanks. Other marine corps units rode in hovercraft landing craft and 73-type assault craft, and crossing the obstacles, they swiftly outflanked the enemy from the sides. This is the type of attack Taiwan greatly fears. After attaining overall mastery of the skies, one could see parachutes landing behind the enemy lines; beach landings being made at many points; breakthroughs in all spheres; the partitioning, surrounding and annihilating of the enemy; and the taking and linking of beachheads. Thereby, these and other campaign aims were smoothly realized.

#### Why Were Civilian Ships Employed?

On the sea, with a protective chain formed by military ships and civilian ships safeguarding them on both sides, the 067 "Yunnan"-class utility landing craft, the 068 mechanized landing craft, and the 273 II "Yuliang"-class utility landing craft proceeded first, and the 079 "Yulin"-class tank-landing craft and the larger-scale 072 "Zhoushan"-class tank-landing vessels brought up the rear. These transported the units of the principal force, and re-equipped the beachheads, so that the assault could develop in depth. The civilian ship formation, carrying militia and reserve units, also successively reached the shore and the forces attacked, mopping up the "remnant enemy." This allowed the main forces to concentrate on attacking the fortified positions.

#### Misunderstanding China's National Conditions Will Be a Major Mistake

Some people hold the opinion that the deployment of militia, reserve units, and civilian ships was a manifestation of backwardness, proving that the PLA is still using human sea tactics and lacks effective landing methods. Actually, this is a misunderstanding of China's military situation. After the reduction of the military forces by one million men in 1985, the Chinese Army placed more attention on qualitative army building and on assisting new and high-technology arms and services. At the same time, however, militia, reserve units and the armed police became the second forces of the regular forces. They could make up for the losses of conventional forces during wartime, and also could swiftly provide augmentation to make up for insufficiencies in the infantry. They also could take on logistics, warning, security, transport and ambulance responsibilities. These overall exercises aimed to simulate a wartime situation as closely as possible. These units could be provided as logistics support, guard against infiltration by "enemy forces," mop up remnant "enemy soldiers" and provide assistance in security and guard work. These whole-

people operations are precisely where China's power lies.

#### China Certainly Does Not Lack Military Ships for Sea-Crossing

In all wars, from World Wars I and II, up to the Gulf War in 1991, all countries — including the United States — have deployed a large number of civilian ships in combat. We can see that the ideas of the various countries come to the same end, even if by different routes. Every year, China manufactures several million tons of ships. If the PLA chose to deploy landing ships from its three fleets and from its reserve ships to participate in the exercises, it easily could have met the quantitative requirements. The claim that it lacks landing craft cannot be substantiated. Actually, the PLA wanted to test its capacity for the emergency mobilization of civilian ships in wartime. They are highly flexible and can be used for transport, reconnaissance, mine-laying, as ambulance ships, for communications, as barges, as supply ships, and as guard ships. It is even possible — like the British did during the Falkland Islands war — to turn large cargo ships into small-scale aircraft carriers. What is this about being outdated? In these exercises, they installed a large number of rocket-launching vehicles on large cargo ships as a temporary firing platform. One can see that the civilian ships "can be used for both civilian and military purposes" and are extremely flexible.

Mobilizing militia, reserve duty units, and civilian ships involved China in combining warfare and peacetime elements, combining high and low technologies, and mobilizing forces swiftly. It was a manifestation of the strategic ideology that centers around fighting a people's war with Chinese characteristics under modern conditions. In a war to oppose Taiwan independence and to oppose aggression, it will of course be necessary to coordinate all forces at all levels mobilized throughout the country, to coordinate military and civilian elements, and to coordinate the central and local authorities. Thus, it is not an issue of being advanced or backward; rather, it is a question of whether one relies simply on the military forces to conduct military operations, or whether one follows an overall strategic line of thinking that involves whole-people warfare.

#### A Large Number of High-Technology Weapons Were Shown Publicly

These joint operations by the three services utilized a series of high-tech equipment. Among the equipment was some that has not yet been formally assigned to the units. Quite a large proportion of the equipment,



and especially the electronic warfare equipment, was not displayed publicly, for various reasons. Even so, these exercises still showed much and demonstrated that under modern technological conditions, China's capacity for joint operations by the various forces has been greatly strengthened, the new methods of operation were applied well, and the overall operational capacity has been improved.

#### **The New Air Force Equipment Was Fully Displayed**

In the second- and third-wave exercises, there was great stress placed on firepower, and especially on air-support firepower, as well as on electronic warfare and information warfare capacities. This was far more obvious than in any previous exercises. However, some of the most advanced weapons were not deployed in the exercises, and these included the Jianhong-7 aircraft, which was not used.

Those deployed during the exercises included the old-type Jian-7 II and Jian-8 I, and the newer Jian-8 II and the SU-27 fighters. They all launched infra-red fighting guided missiles, and many of these planes already have been fitted with electronic support and electronic warfare equipment.

As the Jianhong-7 was not deployed, the air-to-ground attacks were carried out by the Hong-6, Qiang-5 II, the Jian-8 II, and the SU-27s. As the Qiang-5 is fitted with laser-ranging sensors, its strike accuracy has been greatly improved. The ALR-1 laser-ranging sensor and the heads-up, laser-ranging fire control system, which consists of the new-type heads-up display and the air data computer, both have continuous computerized point-of-impact functions. The range of the ALR-1 laser-ranging sensor is 20-10,000 meters and its range precision is 5 meters. Its overall functions reach the level of the British 105D and the French TMV of the 1980s. During these exercises, the Qiang-5 II showed high strike accuracy. According to information gained by this reporter, many types of photoelectric or electronic warfare pods — the design for some of which has been finalized and in other cases not — were tested successfully during the recent exercises.

#### **The Improved SU-27 Makes Its First Public Appearance**

The Taiwan military had said that during the last "Dongshan exercises," the imported SU-27 appeared on few occasions, and that it did not yet constitute a fighting force. Almost before they had finished speaking, they were able to see SU-27 formations flying in the sky over the exercises. On this occasion, the Taiwan military again said that the SU-27s were only formation flying during the exercises, and did not fire any weapons.

The words had not long been spoken when, during the sea-air live ammunition exercises and the air-land-sea exercises, the SU-27s were repeatedly firing various types of air-to-air missiles, firing air-to-surface rockets, and dropping bombs.

Actually, during the exercises, the SU-27s also fired Russian-made R-73 infrared fighting air-to-air missiles and R-27 semiactive radar medium-range air-to-air missiles. (These brief, but precious shots were omitted from the footage provided to two Hong Kong television stations; they were retained only in the Central Television broadcasts.) Thus the previous claims by Taiwan that the R-27 had never been fired does not hold water and need not be refuted.

What was seen on this occasion was that the SU-27 not only fired diverse types of air-to-surface rockets, but we also saw for the first time pictures of four deceleration bombs similar to the U.S. MK82 Snake-Eyes dropped from ultra-low altitudes. This is the first time that such bombs have been shown publicly.

The fact that during these exercises China so clearly stressed the bombing functions of the SU-27 shows that the things people outside have said about China's improvement of the SU-27 fighter are correct. Although during the exercises it dropped only traditional air-to-surface weapons, from the stress which military sources have given to its high accuracy, it seems that the radar and computer software have improved its air-to-surface attack capacities. Only outsiders would ignore the importance of this. Clearly, this aircraft is now equipped with the more advanced SU-35 fire control equipment and functions. This is extremely significant.

During the exercises it was seen that the entire SU-27 was painted with camouflage paint, similar to the "air control grey" of European and U.S. aircraft, and that they had not, as some outsiders had suggested, been painted in Chinese air force camouflage colors after they were imported.

Another aspect of progress was that in a skyward shot, we could see that at the end of the wings of a low-flying SU-27, which originally had R-73 missile mounts, there now were on both left and right wings, flat electronic warfare pods, similar to the experimental "Suo-bo-qi-ya [4792 0130 7871 0068]-S" wide-range frequency spectrum electronic warfare pods which were attached to the wings of the original versions of the SU-35 and the SU-34. The specific function of these pods is not known and it is likewise unclear whether they were domestically produced. Clearly China's air force is not content with its existing base, and is continuing to improve and perfect the functions of these new weapons.

### **The S-300 Surface-to-Air Missile Was Shown Publicly**

The anti-aircraft units of the air force, apart from deploying the "Hongqi-2 Jia" surface-to-air missiles which during the Gulf War brought down several U.S. cruise missiles, on this occasion — and for the first time — showed the rarely seen Russian-made S-300PMU "Yuan-yan" [1841 6056] advanced surface-to-air missile.

The S-300PMU (The Europeans and the Americans refer to this as the SA-10B "yuan-yan" or "lao-sao" [3666 7510] model) is one of Russia's two most advanced anti-aircraft missiles. It is also one of the three most advanced surface-to-air missiles in service anywhere in the world. The naval version is referred to by NATO as the SA-N-6 "Li-fu [0448 1133]" and this is used to equip "Slava"- class cruisers and "Kirov"-class nuclear-powered guided missile cruisers. The S-300PMU was developed in the 1970s, and it was provided to the Soviet Army and Navy in the 1980s. In the early 1990s, China imported 100 S-300 missile systems, and it is heard that China intends to obtain a license to produce them. In addition, China has obtained "Patriot" missile technological data from Israel, and it is believed that by the end of this century, China's anti-aircraft missile technology will have reached first-rate international standards. Furthermore, this will assist in upgrading the ability of the M-series missiles to break through enemy defenses.

### **Summing up the Results of the Exercises**

The exercises fully manifested the operational characteristics of people's warfare under high- and new-technology conditions, and a number of major new operational methods actually were utilized and tested. The implementation of combat-readiness work resulted in the exercises' achieving the anticipated satisfactory results. In the Air Force, for example, first-grade flying groups now constitute 95 percent of the total, while the proportion of pilots who can fly in the four types of weather has reached a historic high. This is a basic guarantee of the exercises' success. The training with new equipment, which was the main part of the exercises for the Navy and Air Force, achieved great success and widely formed combat effectiveness. The operational capacities of high- and new-technology arms and services, and of the electronic warfare equipment both were greatly improved. The missiles fired during the exercises all hit their targets, and the air-to-surface attacks and antisubmarine attacks all achieved high accuracy. Seen from the second- and third-wave exercises, it was basically possible to gain a glimpse of the path

of development and technological level of the Chinese armed forces in the 1990s.

### **PRC: PLA General Logistics Department's Shanghai Office**

*OW1505235796 Shanghai JIEFANG RIBAO in Chinese 23 Apr 96 p 1*

[FBIS Translated Text] Lieutenant General Wang Tailan, deputy director of the General Logistics Department of the People's Liberation Army [PLA], and a business operations consolidation and reform inspection group headed by him, arrived yesterday in Shanghai. The purpose of their trip is to consolidate and reform the military's production and business operations, to straighten out the enterprises run by troops stationed in Shanghai, and to further provide support for Shanghai's reform and economic construction.

To reduce the burden on state and local authorities, and to support the state's economic construction, all major military units have established enterprises in Shanghai, the scale of which have recently become quite large. To enable military-run enterprises to better serve their purposes, the General Logistics Department recently established an office in Shanghai to put all such enterprises there under its centralized management.

In the next few days, Lieutenant General Wang Tailan and Major General Zhang Zhixiang, deputy director of the Production Department of the General Logistics Department, will lead the inspection group to visit leaders of the Shanghai government, the Shanghai Municipal CPC Committee, and those in charge of municipal commissions and bureaus. The delegation will also solicit the municipal CPC committee's and government's suggestions on the military's production and business operations.

### **PRC: Song Jian Says Science, Technology Vital to Police Work**

*OW1505190196 Beijing XINHUA in English 1702 GMT 15 May 96*

[FBIS Transcribed Text] Beijing, May 15 (XINHUA) — Applying science and technology to public security work is vital to the effectiveness of China's national police work, a State Councillor said at a meeting here today.

Song Jian, also minister in charge of the State Science and Technology Commission, made the remark at the opening ceremony of the Conference on Science and Technology Concerning Public Security, and said that a stronger and more prosperous China depends on science and education work in all lines.



Maintaining social order is not only a political task, but one in which modern science and technology can show its strength, the minister added.

Tao Siju, minister of Public Security, who is accompanying President Jiang Zemin on an African tour, sent a message to the three-day conference before his departure, in which he said that the national police force should improve its effectiveness by focusing on science and technology.

At today's ceremony, some 100 scientific and technological researchers in the field of public security were given awards for outstanding work.

**PRC: Criminals in Hainan Surrender to Police**  
*OW1705034096 Beijing ZHONGGUO XINWEN SHE*  
*in English 1009 GMT 16 May 96*

[FBIS Transcribed Text] May 16 (CNS) — 124 criminals in Hainan have surrendered themselves to the public since the launch of the "Strike hard" campaign.

Of these criminals, 24 are from Haikou City. Li Jiarui, an escaped criminal involved in the robbery and rape case in a bus on April 8, surrendered to the police after the persuasion of the Xiuying Public Security Bureau.

In Qionghshan City, eight criminals who had hit and obstructed the police in performing official business on March 3 surrendered themselves. Four at-large criminals in a robbery case on January 10 surrendered themselves to Qionghshan Public Security Bureau on April 28. Some criminals even handed over their guns and bullets.

Yesterday, Hainan Higher People's Court, Hainan People's Procuratorate, Hainan Department of Public Security and Hainan Judiciary jointly issued a notice for urging criminals to surrender themselves to the police. The notice says that if criminals surrender themselves to public security departments before June 30, they will receive lenient treatment.

**PRC: Guangdong Courts Crack Down on Criminals**  
*OW1705033196 Beijing ZHONGGUO XINWEN SHE*  
*in English 0122 GMT 17 May 96*

[FBIS Transcribed Text] 16 May (CNS) — Various grades of law courts in Guangdong have, in the past month, passed sentence on 1,400 accused persons convicted of murder, robbery, armed robbery, illegal possession of firearms and triad offences, said Liu Qinghai, Deputy President of the Provincial Higher Court, while

300 of the more brutal offenders were sentenced to death or given life imprisonment terms.

Mr. Liu said that in the meantime, public security in the province is being threatened by murder, robbery, armed robbery involving guns, theft, kidnapping, blackmail, street gangs, triad activities, drug offences and operators who force women to become prostitutes.

In particular, there have been a number of homicide cases with the use of guns and bank robberies. If law enforcement agencies do not tackle the problem, local people will not feel secure and that's why the courts will impose stiff penalties to curb crimes.

He added that the courts would be lenient to those who surrendered themselves and assist them to turn over a new leaf.

**PRC: Sichuan Police Foil Illegal Firearm Deals**  
*OW1605162096 Beijing ZHONGGUO XINWEN SHE*  
*in English 1208 GMT 16 May 96*

[FBIS Transcribed Text] Sichuan, 16 May (CNS) — In continuation of the nation-wide raid on criminal offences, the Chengdu police have recently frustrated cross-province firearms deals by arresting six suspects and seizing a haul of guns and bullets.

Acting on intelligence, officers of the Jinjiang police district arrested a firearm trader on 8 April 1996. Whilst in custody, the suspect was willing to lead the officers to his home where 41 guns and 200 bullets were hid. Based on his information, police arrested another trader later the day and recovered from him 100 bullets.

The men however confessed that they were just small "retailers" whereas the "wholesaler", the security manager of a local company surnamed Mao, who imported and sold them the firearms was still at large.

Mao was arrested the next day and confessed that he bought the firearms from a man named Ren in Jiangsu. He said Ren might be in Shanghai for a deal. Mao also provided information to police which led to the arrest of two other dealers in the vicinity of Chengdu.

Immediately, a team of police officers flew to Shanghai and managed to snatch Ren who was about to conduct a deal in a hotel. From his pocket, the officers found a bill of lading for a consignment from Nanjing to Chengdu. When the officers took receipt of the cargo, they found 50 guns and 100 bullets.



## General

**PRC: Financial Inspection Finds Discipline Violations**

OW1705033296 Beijing ZHONGGUO XINWEN SHE  
in English 0122 GMT 17 May 96

[FBIS Transcribed Text] May 16 (CNS) — According to the Ministry of Finance, the five-month-old examination of taxation and financial sector achieved striking success. As of late last February, money involved in discipline violation was valued at RMB [renminbi] 22.69 billion, of which RMB 19.06 billion should have been paid to the state coffer while an overdue tax of RMB 17.33 billion were paid.

The inspection drive was bigger in size over last year with nearly 600,000 officials taking part in the examination. A total of 9.8 million enterprises, business entities and individual industrial and commercial entities were examined. The number of those whose violation involved a big amount of money was on the rise. Harsh punishment was given and 209,866 business entities and 14,957 persons were subject to economic punishment. A total of 120 persons were punished in accordance with Party and government disciplines while 526 others were dealt with by judicial organs.

Statistics obtained from the examination drive indicated that law breaking was very serious. About 45.8 per cent of those examined were found to have committed violation of law and disciplines even though the figure was in a certain decline. Tax evasion was serious which was put at RMB 16.58 billion, making up 73 per cent of the total amount of money involved. It represented a rise of close to five percentage points over the previous year. Some state owned enterprises defied law and disciplines and committed violation again and again. Among 410,000 state owned enterprises examined, 47.85 per cent were found to have infringed on discipline. Money involved in these cases accounted for 56 per cent of the total.

Officials from the ministry stressed that the examination drive had to continue in coming years and in the current five-year plan period in particular. Effective measures have to be adopted to strengthen law enforcement and prevent tax evasion by legal persons. Measures have also to be implemented to deal with legal persons who broke the law. They have to be brought to justice if necessary.

**PRC: Expert Forecasts New Period of Economic Expansion**

HK1705085196 Hong Kong CHING CHI TAO PAO  
in Chinese 15 Apr 96 No 2465, p 13

[From "China Economic News" column: "China's Economy To Enter New Period of Expansion"]

[PTS Translated Text for FBIS] A related expert of the State Information Center holds the view that at present, China's economy is in the last phase of a contraction period in the current cycle. Under the precondition that the existing orientation of macroscopic policy remains unchanged, the economic contraction period will continue to the second quarter, then enter a period of expansion in a new cycle at the turn of the second and third quarters. The major grounds for this judgment are:

1. The objective for the current macroeconomic regulation and control basically has been realized. The chief task for the current macroeconomic regulation and control is to check inflation. Last year, the retail sales index was 14.8 percent, of which the range of increase within December dropped to 8.3 percent, which can be regarded as comparative success in realizing a soft landing. With the effect of price readjustment factor in 1995 disappearing, the range of price increases will continue shrinking. It is estimated that the retail price index will drop within 7 percent, an appropriate range.
2. Comparing employment with inflation, unemployment and invisible employment will become the major contradiction in macroeconomic operation.
3. This year is the first in the Ninth Five-Year Plan, and a number of national and local key projects will break ground. With the steady pickup in investment demand, the economic growth rate will be accelerated somewhat correspondingly.
4. By the end of the second quarter this year, the current readjustment will have lasted for three years. Economic readjustments have been conducted several times since the founding of New China, but none exceeded three years.

The expert forecast that the GNP this year would be 6,886.8 billion yuan, up by 9.5 percent from 1995. Viewing the major factor in future economic growth, the balanced growth in the demand for investment, consumption and export in 1995 will evolve into a pattern of dominant internal demand, with relatively weakened external demand, and the general volume of supply and demand basically will maintain a balance.

**PRC: Construction Ministry Issues Figures on Small Town Growth**

OW1605112796 Beijing XINHUA in English  
1001 GMT 16 May 96

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — They have become China's mini boom-towns, home to 7.7 percent of the country's population.

And the thousands of small towns spread across the country have witnessed a rapid economic growth over the past six years.

The number of towns with a population no more than 20,000 in rural China increased by one third in the six year period, climbing to 15,000, according to the latest statistics issued by the Ministry of Construction.

The booming rural towns have developed into new economic, cultural, scientific, information and service centers, attracting more and more Chinese farmers yearning for a new life.

The farmers started their urban lives by buying apartments, which led to a construction boom in both new and existing rural towns.

In the 1979-1995 period, new residential houses with a floor space of 10.3 billion sq. m. [square meters] have been built in small towns, providing new homes for 130 million households.

The per capita living space in rural towns and villages has expanded from 7.8 sq. m. in 1978 to last year's 21.2 sq. m., approaching the world's average level.

This is a remarkable progress for a country with 1.2 billion people, a Chinese observer said.

A state plan designs to raise the rural per capita living space to 23 sq. m. By the year 2000.

Official statistics show that rural towns across China have built 50,000 wholesale or trade markets, yielding 440 billion yuan in business volume a year, and set up 10,000 industrial zones attracting a million industrial firms and 60 million rural laborers.

In a bid to stimulate the upgrading and development of rural towns, the state has invested much in infrastructure projects and cultural, educational and public health facilities at rural areas.

As a result, 98 percent of the towns and 70 percent of villages now have access to electricity, 3 million km of road have been built and 310 million people now have clean running water.

Economists predict that by the end of the century some 200 million farmers will leave the farmland and migrate to towns all over the country.

The Chinese government has decided to step up measures for the construction of new towns and turn 20 percent of the existing towns into well-distributed industrial centers with good infrastructure and convenient transportation services by the year 2000.

**PRC: Commentary Lauds New Points of Economic Growth**

OW1705033996 Beijing XINHUA Domestic Service  
in Chinese 2109 GMT 14 May 96

[Commentary by XINHUA reporters Wang Zhengzhong (3769 2973 1813) and Shen Zurun (3088 4371 3387): "We Should Cultivate New Points of Economic Growth To Facilitate Development" — XINHUA headline]

[FBIS Translated Text] Hefei, 15 May (XINHUA) — To actively cultivate and expand new points of economic growth has been an important measure undertaken by various localities, departments, industries, and units in recent years to enhance economic development. The Anhui Provincial Party Committee and Government recently proposed making greater efforts to cultivate and expand new points of economic growth while carrying out the "two changes [liang ge zhuan bian (0357 0020 6567 6239)]," so that Anhui can more effectively attain more practical results in this regard.

The so-called points of economic growth include economic departments, industries, products, and other important links of production that play — in the course of social production and reproduction — decisive or leading roles in expanding production scale, increasing social wealth, upgrading economic benefits, and enhancing economic progress. They will play decisive, leading, or influential roles in facilitating economic progress, propel the development of the overall economy, and have very powerful ripple effects and augmentability. However, we definitely cannot accomplish this at one go or in one day of seeking, cultivating, and expanding our economic growth points. We have to continue the tasks throughout the whole process of economic progress. It means that while seeking new economic growth points, we must take into account future development, markets, efficiency, and trends. Even though at the moment there is still some demand for certain products that have no future from a long-term perspective and cannot lead or propel other related industries and products to develop, then we cannot cultivate or support them as new economic growth points. On the other hand, we should make efforts to cultivate and expeditiously develop certain industries and products which at the moment seem ordinary, but which have high efficiency and technological standards, high prospective salability, and positive impacts on other related industries. However, a



market economy continues to develop and change, so it is impossible for economic growth points to remain unchanged. Additionally, we must frequently readjust our concepts, strategies, and methods and continually seek new economic growth points. Consequently, we will have what others lack; and whatever similar industries and products others may have, ours will be better.

To cultivate and expand new economic growth points, we must further liberate our minds and broaden our concepts. If our minds are not liberated or our concepts are obsolete, we normally either fail to visualize the future of many events or objects with vitality, especially events or objects in their rudimentary stages, or we use various reasons to restrict their development.

To cultivate and expand new economic growth points, we must strive to create a favorable environment for them. We must build both hard and soft environments, and the soft environment is more important. In reality, we often witness vivid examples where competent management yields benefits and unity enhances productive forces. The soft environment involves many aspects, including public opinions of the society, social habits, people's spiritual condition, the unity of leading bodies, the work style of leaders and organ cadres, and the quality of policies: The crux of the issue is people's qualities. Only after building a favorable soft environment can we mobilize the broad masses of people's enthusiasm and creativity, attract and stabilize professionals, and attract more investments.

To cultivate and expand new economic growth points, we must earnestly carry out relevant tasks. We must resolutely and comprehensively cultivate and expand economic growth points that have been specified so as to attain benefits.

#### **PRC: Chang Jiang River Promotes Commercial Cooperation**

*OW1605130296 Beijing XINHUA in English  
1133 GMT 16 May 96*

[FBIS Transcribed Text] Hefei, May 16 (XINHUA) — Visitors to this capital of Anhui Province, are surprised to find along the streets so many branches of big department stores of its more developed neighbors such as Shanghai and Nanjing.

Hefei is only one of the cities representing commercial co-operation between the developed and less-developed regions along the Chang Jiang River, China's longest.

The latest statistics show that Shanghai, the country's leading commercial center, alone has already launched more than 190 commercial and trade entities in Sichuan, Hubei, Jiangxi and Anhui provinces. They have com-

bined annual sales of 2.5 billion yuan (301.2 million US dollars).

This year, Shanghai plans to set up eight to ten large shopping entities and 20 to 30 wholesale and retail outlets.

The less-affluent regions are also catching up with the wealthy ones, taking advantage of their rich natural resources and abundant farm produce.

For example, Anhui has invested over 500 million yuan (about 60.24 million US dollars) to build in the Pudong New Area of Shanghai the Yuan Plaza, which will be a show-window of import and export commodities.

The co-operation is aimed at making full use of the abundant resources and geographical conditions to form a commercial corridor along the Chang Jiang River, experts said.

Now already thriving in the river areas are a large number of powerful regional and national commodities exchanges, including the Shanghai metal and grain exchanges, Suzhou commodities exchange, Nanjing oil exchange, and numerous markets of textile and light industrial goods, including the famous Hanzheng Street Market in Wuhan, a rice market in Wuhu and the Chaotianmen Market in Chongqing.

#### **Finance & Banking**

##### **PRC: Beijing Commodity Exchange Changed to Membership System**

*OW1705034196 Beijing ZHONGGUO XINWEN SHE  
in English 1343 GMT 16 May 96*

[FBIS Transcribed Text] May 16 (CNS) — The Beijing Commodity Exchange, the largest futures exchange in China, announced today that it had undergone a structural change from a limited company to resorting to the membership system.

400 representatives from 281 member units of 28 provinces and cities attended a member meeting of the Beijing Commodity Exchange today.

Qiao Gang, Chairman of the Board of the Beijing Commodity Exchange, said that at its early stage, the Exchange registered as a limited company with a few investors as its founder members. China's Securities Regulatory Commission (CSRC) demanded an introduction of the membership system in experimental futures exchanges, which meant that futures exchanges which were originally funded by departments, local governments or a few enterprises should be changed into non-profitable organizations funded by their all members. The members should bear risks and exercise self-discipline. This was a big move of the Commission in



regulating the futures market in China according to the international conventional practice. The restructuring of the Beijing Commodity Exchange was a result following the CSRC's instruction.

Wu Xiaoqiang, chief executive of the Beijing Commodity Exchange, said that the service charge of the Commodity Exchange were the lowest in the whole country, while its trading value was the highest.

There was an exemption of the service charge in the Commodity Exchange for a week in 1994; such exemption was granted again for a month in 1995. In 1996, the service charge are reduced by half from May 13 to 31 to maintain the lowest level nationwide. The business volume of the Commodity Exchange has been continuously expanding. In 1994, its turnover ranked first in the whole country. In 1995, its turnover hit RMB [renminbi] 2196.8 billion, still topping the country.

Under the leadership of the State Council Securities Policy Committee, the CSRC and Beijing Municipal Government, the Beijing Commodity exchange has improved its management. Some risk management and control measures have been recognized and promoted by the CSRC.

Since its establishment more than two years ago, Beijing Commodity Exchange has extended business ties with many futures exchanges and futures supervision organizations in the U.S., Europe and Asia. Some famous futures exchanges such as London International Financial Futures Exchange (LIFFE) have also exchanged views with Beijing Commodity Exchange on the network co-operation. Last year, Beijing Commodity Exchange became the first Chinese member of the Futures International Association (FIA) which is responsible for coordinating international futures and options affairs.

**PRC: Banking Officials on Establishing Nationwide Bank Network**

OW1605130196 Beijing XINHUA in English  
1114 GMT 16 May 96

[FBIS Transcribed Text] Shanghai, May 16 (XINHUA) — China is looking at ways of setting up a nationwide business network for urban cooperative banks.

A clearance center should first be established in Shanghai, banking officials pointed out at a seminar on the subject, held in this, China's largest financial center.

"The network will help reform and upgrade China's financial system and improve regional financial services," they said.

China has four cooperative banks in Shenzhen, a special economic zone in south China's Guangdong Province,

Shanghai, Beijing, and Nanjing, capital of east China's Jiangsu Province.

Thirty five cities across the country have plans to set up urban cooperative banks this year.

The first four urban cooperative banks have dramatically expanded since they came into being less than six months ago. Inter-region clearance conducted by the Shanghai Urban Cooperative Bank is expected to hit 100 billion yuan in 1996.

**PRC: Nationwide Audit Nets \$2.7 Billion in Illegal Funds**

OW1605131296 Beijing XINHUA in English  
1134 GMT 16 May 96

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — The Ministry of Finance announced in Beijing today that a nationwide finance and tax auditing netted a total of 22.693 billion yuan (about 2.7 billion US dollars) in illegal funds last year.

A breakdown shows that 16.57 billion yuan was in tax frauds, about five percentage points higher than in 1994.

Irregularities were found in 771,300 of the almost 1.7 million enterprises and units targeted by auditors, the ministry said.

"The percentage of rule violators, though four percentage points lower than the previous year, failed to drop by a more desirable extent," the ministry said.

It noted that some state-owned enterprises had repeated their past malpractices. Illegal funds uncovered in the 410,000 audited state-owned enterprises were worth as much as 12.8 billion yuan.

A weak sense of observing laws and rules among management of some enterprises and units is said to account for many violations of financial and tax disciplines, the ministry said.

It also said that an inadequate supervisory mechanism and lax law enforcement are also to be blamed.

**PRC: Urban Cooperative Bank Work Going 'Smoothly'**

OW1605132996 Beijing XINHUA in English  
1308 GMT 16 May 96

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — China's work to establish urban cooperative banks has gone smoothly, an official said.

The combined assets of the four already operational urban cooperative banks in Beijing, Shanghai, Shenzhen

and Nanjing have reached 68.985 billion yuan (about 8.2 billion US dollars), according to the official.

The banks also have 52.88 billion yuan in outstanding deposits and 23.08 billion yuan in outstanding loans.

China started establishing urban cooperative banks on an experimental basis in 1995. Currently the work to set up such banks has been ongoing in another 31 large and medium-sized cities including Shijiazhuang, Tianjin, Jinan, Hangzhou, Guangzhou, Wuhan, Urumqi and Xian.

**\*PRC: Unified Interbank Loan Market Needs Improvement**

96CE0251B Chongqing GAIGE [REFORM]  
in Chinese 20 Mar 96 No 2, pp 78-80

[Article by Wang Guogang (3769 0948 0474) and Yang Siqun (2799 1835 5028): "A Critique of the Just Established Unified Interbank Loan Market"]

[FBIS Translated Text] The People's Bank of China decided recently to institute a national unified interbank loan market starting on 1 January 1996. The market is divided into two transaction networks, primary and secondary ones. Those with transaction access to the primary network are commercial bank head offices with legal status approved by the People's Bank of China, national trust and investment corporations, and the 35 financing centers (business corporations) that are administrative appendages of all local People's Bank of China branches. The secondary network is made up of the 35 financing centers as its nucleus, with those having transaction access to this network being branch institutions above the prefectural and municipal level authorized by commercial bank head offices, and local trust and investment companies, credit cooperatives, insurance companies, financial leasing companies, and finance companies. Meanwhile, the People's Bank of China has required that all existing commercial bank financing centers (or capital [money] markets) stop all [interbank] loan services as of 1 January 1996, as well as cancelling them before 1 April 1996.

The People's Bank of China's main objective in instituting this policy is to tighten its management and control of the capital loan market, controlling overall capital lending and loan interest rates, and controlling loan capital flow orientation to keep loan capital from being provided for fixed asset loans or used for investment, in preparation for trying to institute open market operations. While we hold that these policy objectives are in line with the essential needs of China's current financial banking system, as well as conforming to the basic orientation of China's money market reform, the

particular policy substance also involves certain issues that need to be explored.

1. The People's Bank of China's unclear market status. The basic function of the capital loan market is to solve the short-term capital financing problems among all financial institutions. But while the People's Bank of China ought to act in the market as an indirect regulator, controller, and overseer, influencing the capital flow and market actions of all financial institutions through interest rate policy and oversight steps, in the new policy, the People's Bank of China as the central bank is both the market regulator, controller, and overseer, as well as a market operator and player. The People's Bank of China head office is on one hand the overseer of our national unified interbank loan market, overseeing and controlling the market actions of all financial institutions, with all financial institutions wanting access to the two transaction networks needing the examination and approval of both the People's Bank of China head office and the corresponding local People's Bank of China branch. But on the other, it also directly controls and operates the computer system making up the unified market, as well as being prepared when necessary to influence interest rates and capital flow through capital handling. As the 35 financing centers are administrative appendages of local People's Bank of China branches, with their chief officers appointed by local People's Bank of China branches, they can be said to be financing centers of the People's Bank of China banking system. These financing centers on one hand are the organizers and controllers of the secondary network, while on the other are market operators engaged in interbank loan business as mostly agents, intermediaries, and self-employed operators, as well as being members with access to the primary network. We hold that while tighter People's Bank of China oversight of the capital loan market to firmly stop illegal lending actions such as raising loan interest rates, extending loan deadlines, and converting money market funds to all sorts of investments is absolutely essential, putting the People's Bank of China in the process into the dual status of both referee and player is adverse to both the People's Bank of China's own establishment and functional standardization, and to the improvement and development of the loan market.

2. The unrealistic market identity of intermediate agencies. In the capital loan market, so intermediary agencies have the major function of working with capital surplus or shortage information, verifying the credit worthiness of both the supply and demand sides, and assuming security for financing risks, to keep capital in circulation, the market identity of intermediate agencies needs three essential provisions: 1) Intermediate agen-



cies should be enterprise corporations with cash capital as provided, which can assume ordinary operating risks and proceed from their own interests to conscientiously verify the credit of both the supply and demand sides; 2) As intermediary agencies are the organizations for supply and demand information and capital financing distribution, they generally operate in the buyer mode, buying to concentrate loan capital in their hands and assume capital financing risks for lenders, after which they lend the capital to the real borrowers and strictly investigate the borrowers' credit ratings; 3) While the service targets and scope of intermediate agencies are set by market supply and demand relations, so are not subject to protection and restriction by administrative divisions, in the new policy, the 35 financing centers are subject to the following conditions: a) As they are in a business corporate system, neither being enterprise corporations or having the cash capital as provided, it is quite hard for the financing centers to become independent loan market players with autonomous operations and the liability for their profits and losses. If their relations as administrative appendages to local People's Bank of China branches with their chief financial officers appointed by local People's Bank of China branches are really implemented, the financing centers cannot become independent market players. b) As the financing centers do only agency and intermediate business, neither being buyer operators or assuming breach-of-contract liability or capital risk, market capital suppliers have to investigate and verify the credit ratings of capital demanders and assume capital loan risk on their own, leaving the financing centers actually with business income but neither costs or risks. c) As the financing centers are subject to administrative division relations, each one is its region's only market monopoly, with its business both protected by administrative relations and restricted by administrative division relations. So it is not hard to see that as the 35 financing centers are called intermediary market players by name, but actually have a very strong administrative flavor, their identity is out of line with the needs of market rules.

**3. The poor market efficiency of the unified market.** In the loan market, time limits are particularly crucial. As to capital lenders, the capital surplus lasts probably for only a day or two and, for capital borrowers, the capital shortage also probably lasts for only a day or so. As prompt borrowing or lending of capital protects interests and vice versa, no matter in what form the market is "unified," an emphasis on market efficiency and better time effectiveness is an essential requirement. But in the new policy, market efficiency is subject to problems. 1) As to the primary network, the head offices of commercial banks such as the Industrial and Commercial Bank of China, the Agricultural Bank of China, the

Bank of China, the Construction Bank of China, and the Communications Bank of China are all very capable of transferring capital within their banking systems, with tens to hundreds of millions of yuan in temporary capital shortages solvable through transfer within their systems, leaving no need to solve them through the market. But on the other hand, despite millions of yuan or even more in capital surpluses, procedural lending difficulties, and other factors mean that these head offices are often little interested in capital lending, leaving the primary network's daily trading quite slack. And as to the secondary network, capital is financed first within the local region and, when that is not possible, it is done on the primary network or through an exchange of supply and demand information among the financing centers of various regions. But in the process, time waste is unavoidable, with the actions of all areas to restrict capital outflow and strive for capital inflow, and the resulting interregional obstacles to capital financing, also being not completely avoidable. 2) By transaction category, as the new policy provides for the five interbank loan transaction category terms of seven, 30, 60, 90, and 120 days, when the time requirements of the capital supply and demand sides differ from these five categories, it is very hard for the supply and demand parties to dovetail and conclude transactions. 3) As to the transaction conclusion probability, the loan capital volume, deadline, and interest rate demands of the capital supply and demand parties are often inconsistent. As the market lacks mechanisms to resolve these differences, with mechanisms neither for the timely investigation, verification, and follow-up checking of the credit ratings of capital borrowers or the breakdown of the market risks of capital lenders, once such information is obtained, the real number of transactions is quite limited.

When rectifying our interbank loan market to correct illegal lending actions and standardize short-term capital financing relations, we need to pay attention to market economy demands, fully following market economy rules. So when setting up a uniform loan market, we need to emphasize good solutions to the following problems:

**1. We need to reinforce the People's Bank of China's oversight function, completely separating its oversight and operation functions.** Changing the order of direct government control of operating entities, to convert government functions to indirect regulation and control, is a crucial direction of our system reform, as well as an important principle in setting up a uniform loan market. This means that: 1) The People's Bank of China ought to focus its major efforts on the indirect regulation, control, and oversight of the call loan market, not directly operating the transaction network, and



even less so setting up financing centers in the People's Bank of China banking system; 2) The establishment of call market intermediary agencies should be turned over to the society and the market, to form through market and social forces intermediary agencies in line with the demands of call market rules.

**2. We need to change our administrative intermediate agencies, establishing financial intermediary enterprises in line with the needs of a modern enterprise system.** The state of our financial intermediary agencies is directly limiting the development of our call market. So in our current establishment of a unified call market, we need to act in line with the needs of a modern enterprise system and the market principles of fair competition and efficiency first, to train and develop intermediate agencies for short-term financing that are enterprise corporations. Such intermediary agencies for short-term financing will differ from the abovementioned 35 financing centers mainly as follows: 1) As they will be independent enterprise corporations, not administrative institutional agencies, they will be able to assume civil liability, performing civil duties, and enjoying civil rights; 2) While their business will be subject to People's Bank of China oversight, they will not be People's Bank of China appendages, with their major personnel and operating actions also not subject to direct People's Bank of China leadership; 3) They will be merely call market players, not call market overseers; 4) In their capital lending, as they will perform capital financing through buying and then selling capital, assuming capital purchase and sale risks, they will be able to break down the lending risks of capital lenders, effectively harmonizing the capital loan differences of capital supply and demand parties in areas such as volume, deadlines, and interest rates, to promote transaction conclusion and vitality. For some years now, in China's call market expansion, we have been evolving a group of intermediary agencies with business corporation features, some of which have made quite marked operating achievements. For instance, Henan Province's Hua-Xin money market has strictly observed all People's Bank of China regulations for some years, with its business volume leaping to third place in China, its membership topping 500, and its service covering the 28 provinces, municipalities, and autonomous regions throughout China. The establishment of business-corporation type intermediary agencies can be achieved through upgrading to corporations our existing financing centers (or money markets) that are appendages of respectively the People's Bank of China and special banks. In this upgrading, we need to completely delink such intermediary agencies from their former administrative institutions to make them independent business corporations, setting strict provisions for their cash capital so that they can

operate autonomously and assume their own risks. In choosing which ones to keep, we need to fully consider their operating achievements, market actions, personnel quality, and development prospects of recent years.

**3. We need to change our traditional form of setting up financial intermediary agencies by administrative divisions, to speed up our formation of a national unified call market.** Just as the economic experience of developed nations proves that a unified call market is formed in the course of market competition according to the rules of market operation, decades of Chinese practice also show that financial activities arranged by administrative division contribute to neither market development or economic growth. So to genuinely speed up our formation of a national unified call market, we need to change our traditional form, breaking down administrative division relations, so that the services of our financial intermediary agencies can radiate directly to all of China, to make our market competition fair and valid.

**\*PRC: Tariff Reform Headed in Right Direction**

96CE0251A Beijing ZHONGGUO GUOQING GUOLI [CHINA NATIONAL CONDITIONS AND POWER MONTHLY] in Chinese Feb 96 No 2, pp 7-8

[Article by Yang Fan (2799 1581): "The Tariff Reform Is Headed in the Direction of Bringing Nominal Tariffs Into Line with Real Ones"]

[FBIS Translated Text] At a forum on the Chinese economy that was held in France at the end of 1995, a sharp debate occurred over the matter of China's trade protectionism. Two young and aggressive French and U.S. specialists from international economic organizations spoke without reservation, calling China "one of the world's most severe trade protectionists." That was immediately refuted by the four Chinese specialists on the scene, who noted that China's real tariffs are less than 5 percent, no higher than the level of developed nations, as well advising those young and inexperienced foreign experts to "play around less with model concepts and travel more in China to learn the real situation," which indignant words were quite loaded. Then another foreign expert asked: "But I have heard of many cases of certain foreign companies being unable to get preferential tariff reductions and exemptions because they do not have connections in China, so having remained obstructed by China's high tariffs, are those cases not factual?"

In all fairness, that foreigner's criticism was to the point after all, involving the problem of unequal competition in a situation in which high nominal tariffs coexist with sharp tariff reductions and exemptions. With China's

GATT reentry blocked and our World Trade Organization membership still obstructed, General Secretary Jiang Zemin announced at the Osaka [Asia-Pacific Economic Cooperation] conference that China would reduce its import tariffs in 1996 by 30 percent, while eliminating at the same time our existing highly preferential tariff reductions and exemptions, a step which has caught the attention of all circles both in China and abroad. I hold that the key to evaluating the significance of this action is to link the lower nominal tariffs with the eliminated preferential tariff reductions and exemptions, treating them as a "package deal." That means that the crux and substance of China's tariff reform is to consolidate our nominal and real tariffs, heading in the market economy direction of valid protection and nondiscriminatory treatment.

#### I. "The Name Not Conforming to the Reality" as the Greatest Defect in China's Tariffs

There are two ways of calculating import tariffs:

1. The arithmetic average method of calculating purely "nominal tariffs," or computing the mathematical average of the various tariff rates for all commodities. That method puts China's nominal tariff rate at 42.5 percent for 1992 and at 35.9 percent by the end of 1995, still at 26 percent after the 30 percent reduction, with plans to gradually lower it further to the average for developing countries of 15 percent. But the United States is demanding that China reduce its tariffs to the 5 percent average of developed nations, which is absolutely unacceptable to China.

2. The weighted average computation method, with the numerator being the gross receivable tariffs calculated according to real import value, in which the real annual import values of all commodities are the weights, respectively multiplied by the tariff rates of all categories, which are then added together. The denominator is the year's gross import value times the exchange rate. And as our tariffs are priced and collected in renminbi, we need to convert our gross import value from dollars to renminbi. But as the numerator computation has already used "the year's real import value" as the weight, the product is "receivable tariffs based on real import value," not actual tariff receipts, meaning that it is still a "nominal tariff," just one that is closer to the real tariff. And as high tariff commodities have less import value, their weights are smaller, meaning that certainly not much tariffs are collected on them. So the nominal tariffs calculated according to the weighted average method are much lower than those calculated by the mathematical average one, or in China's case at around 20 percent.

China's import control is mainly not in tariffs, but rather in our administrative system of examination and approval of quotas and our exchange control, in addition to high nominal tariffs.

#### II. Eliminating Preferential Reductions and Exemptions To Raise Real Tariffs

Coexisting with China's high nominal tariffs are extremely low real tariffs. In 1992, China's tariffs set a record high of 27 billion renminbi.

But dividing that by the year's import value of \$80 billion produces the following equation: 27 billion renminbi divided by (\$80 billion x 5.7 renminbi to \$1) = 5.9 percent.

The case was essentially the same for 1993. But in 1994, as the renminbi dropped in value to \$1:8.7 renminbi, increasing our import value calculated in renminbi, China's real collected tariff rate actually dropped to 4 percent!

Another calculation method lowers the tariff value, subtracting the approximately 30 percent "three-imports, one-subsidy" tariff exemption, calculating only imports that are actually sold on our domestic market. In which case the real tariff rate on China's imports would reach 8.4 percent. And if we further subtracted the approximately 20 percent of direct foreign investment in which imported equipment is exempt from tariffs so that there is certainly no domestic payment of foreign exchange for the purchase, then the real tariff rate on China's imports would reach 11 percent. But in any case, in contrast to our extremely high nominal tariff rate, China's real tariff rate is still too low!

This yearly 60 billion plus renminbi in tariff reductions and exemptions is controlled by all economic management departments and bureaus of government at all levels. But while this method of administrative examination and approval of tariff reductions and exemptions is provided by policy in order to not discriminate against any qualified economic entity, it is hardly "nondiscriminatory" in fact due to the lack of transparency in the administrative method and the interests diversification of Chinese society. Economic entities with inside connections can obtain more preferences faster, while those meeting preferential terms but without "inside connections" such as certain large European and American corporations are "far less capable of" acquiring the proper preferences than Hong Kong and Macao companies and the Japanese who are familiar with "China's national conditions."

Our high nominal tariffs do not protect our national industry, while our real low tariffs, due to their "discriminatory" preferential reductions and exemptions through



administrative examination and approval, undermine the market economy "principle of nondiscrimination," increasingly losing their positive role in attracting foreign investment. So the elimination of our preferential tariff reductions and exemptions in the form of administrative examination and approval will not only sharply raise our real tariffs, but also will help to standardize our market for equal competition.

### III. Lower Nominal Tariffs as a Substantive Crack Down on Smuggling

The impact on China's tariff collection is not just the tariff reductions and exemptions, but also the severe smuggling, with our high tariffs per se being the system grounds that produce smuggling, making smuggling profits far higher than smuggling costs, to abet rampant smuggling. With Chinese customs confiscating smuggled goods each year worth more than \$3 billion, at a rate of 30 percent of cases cracked, our annual smuggled value is no less than \$10 billion, or 80 billion renminbi. And as all smuggled goods are subject to high tariff collection, supposing an average tariff evasion rate on smuggled goods of around 50 percent, our evaded tariff value would reach 40 billion renminbi, more than our real collected tariff value!

The cases of many specific commodities also prove that "smuggling severely impacts national industry." Japanese customs data show annual exports to China of 1.5 million VCR's, while Chinese customs data show only some hundreds of thousands; 80 percent of cameras are already "goods smuggled by sea"; the volume of lumber and rolled steel imported tax-exempt to SEZ's [special economic zones] exceeds their "private use" by several times; other commodities such as foreign cigarettes, alcohol, and film and smuggled household appliances and cars are so cheap in price because tariffs have not been paid, which has long since severely impacted our national industry. So why is it claimed that China's sharp reduction of nominal tariffs "will impact our national industry?" Rather, it will mainly crack down on smuggling, to weaken nothing more than the special privilege of administrative examination and approval!

So we can see that China's sharp reduction of nominal tariffs on one hand to crack down on smuggling, along with its elimination of preferential reductions and exemptions on the other to weaken administrative special privilege, is of very positive significance. China's tariff reform is headed in the direction of bringing our nominal tariffs into line with real ones. While our national industry does need to be protected, that should be done through open, transparent, and nondiscriminatory legal and economic means, mainly through higher tariffs on

restricted imports to protect national industry, instead of acting under the "protectionist" flag to go all out for the reality of back-door administrative privilege, which undermines our country's protection of our national industry. As for China's reduction of nominal tariffs and elimination of preferential reductions and exemptions to raise our real tariffs, it can be predicted that it will not affect our domestic economic stability, neither reducing our tariff revenue, impacting our national industry, excessively increasing imports to impact our international trade balance (as increased imports will hinge mainly on the overall demand of our domestic economy), or bringing pressure to devalue the renminbi. All who have no vested interests in smuggling or administrative privilege will welcome the action.

### Foreign Trade & Investment

**PRC: Rong Yiren Meets Japanese Business Group**  
OW1405114796 Beijing XINHUA in English  
0822 GMT 14 Apr 96

[FBIS Transcribed Text] Beijing, May 14 (XINHUA) — Chinese Vice-President Rong Yiren met here today with a delegation from Japan Association of Corporate Executives (JACE) headed by Kensuke Koga.

Rong praised the JACE'S efforts in advancing Sino-Japanese economic co-operation while urging the Japanese business people to invest more and do more business with their Chinese counterparts, particularly in China's central and western regions.

There has been great progress in Sino-Japanese economic exchanges and co-operation, Rong said. However, it does not yet match what the two countries should have done or the economic strength of the two countries, he stated, adding that greater potential is yet to be tapped by the two countries.

Briefing the Japanese guests on China's ongoing Ninth Five-Year Plan, starting this year, Rong said a good beginning has been registered, with the country recording a sustained, stable and healthy economic development, featured by decreasing inflation and increasing foreign exchange reserves.

During the five-year period, Rong stressed, China will deepen its reforms in various economic sectors, the reform of state-owned enterprises, commodities circulation and priority of investment areas in particular, and accelerate the economic development in the central and western areas. This is aimed at creating an even solidier [more solid] foundation for further development in the coming century through reinforcing the country's agglomerate strength, Rong said.



Koga said he was impressed by the economic changes in China in which the country has been paying more attention to "quality and effectiveness" rather than mere quantity of products. He also said he hoped that China would make new achievements in reforming its state-owned enterprises.

The JACE is one of the four leading economic bodies in Japan. At the invitation of the State Economic and Trade Commission, the delegation has come to co-sponsor the just-concluded China-Japan Economic Seminar.

**PRC: Vice President Rong Yiren Meets With Canadian Rail Guests**

*OW1705102796 Beijing XINHUA in English*  
*1020 GMT 17 May 96*

[FBIS Transcribed Text] Beijing, May 17 (XINHUA) — Chinese Vice-President Rong Yiren and David G. McLean, chairman of the Canadian National Railway Company (CNRC) today met at Beijing's Great Hall of the People.

Rong said, China and Canada have enjoyed very good relations with a smooth development in trade and economic cooperation, as well as in various other fields. Recalling his several visits to Canada, the vice-president said, he was glad of the economic achievements the country has made in recent years.

According to Rong, transportation is a major area in China's economic development and China wishes to enhance its cooperation with Canada in the field.

McLean, who last visited China in 1985, said that he has seen great achievements in China during his current visit, foreseeing that the close relations the two countries have enjoyed will be developed further.

McLean said China International Trust and Investment Corporation (CITIC) set its foot in Canada ten years ago. This year celebrations will be held by China and the Canadian enterprises to mark the occasion.

According to the chairman, he held nice talks with the head of China Ocean Shipping (Group) Company (COSCO) during his visit, and CNRC wished to expand cooperation with the Chinese side.

The Canadian guests are in China at the invitation of CITIC. CNRC is the largest railway company in Canada, which is mainly engaged in cargo transportation.

**PRC: Vice Premier Zou Jiahua Meets Mercedes-Benz Chairman**

*OW1705083096 Beijing XINHUA in English*  
*0807 GMT 17 May 96*

[FBIS Transcribed Text] Beijing, May 17 (XINHUA) — Chinese Vice-Premier Zou Jiahua today met with Helmut Werner, chairman of the German car maker Mercedes-Benz.

The two sides had an exchange of views on strengthening and increasing their cooperation.

During the meeting, Zou extended a welcome to Werner and his associates on their visit to China to discuss on the development of relations between the two sides in the automobile industry.

Zou said the Chinese automobile industry has enjoyed a long-term cooperative relationship with Mercedes-Benz. Sedans, trucks and other kinds of Merc-brand cars have a high reputation among Chinese customers, he said.

Werner agreed with Zou, saying that the cooperation between Mercedes-Benz and China has been successful. He hoped such relations would be strengthened.

According to Werner, Benz's current visit is aimed at exploring not only cooperation in auto industry, but also the possibility of cooperation in aerospace and other fields.

The Benz delegation arrived in Beijing on Thursday at the invitation of the Ministry of Machine-Building Industry, and will conclude its visit on May 19.

Bao Xuding, Chinese minister of Machine-Building Industry, was present on the occasion.

**PRC: IPR 'Awareness' Signature Campaign Begins 16 May**

*OW1605160596 Beijing XINHUA in English*  
*1553 GMT 16 May 96*

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — A nationwide campaign to collect one million signatures was begun here today by the China Software Alliance (CSA), an alliance of 12 major Chinese software producers, to promote awareness of protecting intellectual property rights of software.

The program is to last in 44 cities until the end of the year.

Chen Chong, deputy director of China's Ministry of Electronics Industry, said that China has a system of laws protecting intellectual property rights and has made great advances in this field.

The anti-piracy campaign will have a great influence on the Chinese and will provide a sound environment for software developers, Chen said.

China adopted its Copyright Law, which listed software as one of the key intellectual products to be protected, in 1991, and passed the Computer Software Protection Regulations in the same year.

It is vital for China to develop its software industry as quickly as possible, because the country is in urgent need of new, high-tech products to improve its industries, Chen noted.

A manager of the Lianbang Software Company in Beijing, which sells more than 3,000 types of domestic and foreign software, said that the crackdown on pirated software has proven to be good.

His company's daily sales volume this year doubled after the crackdown, and is up from last year's 50,000 yuan to 100,000 yuan daily.

**PRC: Sino-U.S. Firm Punished for Producing Pirated CD's**

*OW1705111496 Beijing XINHUA in English  
1106 GMT 17 May 96*

[FBIS Transcribed Text] Haikou, May 17 (XINHUA) — The Press and Publications Administration of China, under the State Council, has canceled the license of a Sino-U.S. joint venture because it produced pirated and pornographic publications.

The Hainan Anmei Laser Manufacturing Company, established in September 1994 with the approval of the Press and Publications Administration of China and the Ministry of Foreign Trade and Economic Cooperation, reportedly duplicated five varieties of pirated CDs and six kinds of obscene LDs in 26,000 pieces.

Chinese departments concerned are dealing with the aftermath of the case.

**PRC: Legend Group, U.S. Firm Agree To Upgrade Computer Market**

*OW1605115696 Beijing XINHUA in English  
1140 GMT 16 May 96*

[FBIS Transcribed Text] Beijing, May 16 (XINHUA) — China's leading computer company, the Legend Group and Kingston Technology Corporation, a well-known US RAM supplier, today signed an agreement at Beijing's State Guesthouse, for the joint development of the Chinese computer upgrading market.

With the technology, most existing low-grade computers can be easily upgraded by installing a special Kingston

RAM product, enabling the most popular software to be run on upgraded computers.

Experts in China predict that an increasing number of Chinese people are expected to upgrade their low-grade computers after the introduction of the new technology, which is likely to lead to brisk sales of both software and hardware products.

Vice-president of Legend Group, Guo Wei, said that PC sales topped one million in China last year, but 79 percent had internal memories smaller than eight megabytes. This means that popular software such as Windows 95, multi-media application software and Internet technology can not run on them.

Kingston Technology Corporation, a US semi-conductor manufacturer and a leading computer RAM product supplier, scored a sales volume of 1.3 billion US dollars in 1995.

Yang Tianxing, director of the Computer Department of the Ministry of Electronics Industry, said that the new technology is suitable to the actual conditions in China since most Chinese cannot afford expensive computers at present.

He noted that the new technology is also good news to some institutions of higher learning and research institutes which bought low-grade computers earlier than others.

**PRC: Ceilings Lifted on Foreign Exchange for Private Use**

*OW1705042596 Beijing XINHUA in English  
0343 GMT 17 May 96*

[FBIS Transcribed Text] Beijing, May 17 (XINHUA) — China has uplifted the ceilings on the amount of foreign exchange allowed for private use, according to new rules issued by the State Administration of Exchange Control (SAEC).

Individuals who plan to visit their relatives in Macao and Hong Kong can exchange renminbi for up to 500 US dollars, up from a mere 20 US dollars for private visits to Macao and 40 US dollars for Hong Kong trips.

The standard for those visiting their relatives in other regions and countries has been set at a maximum 1,000 US dollars, as against a mere 60 US dollars in the past.

The exchangeable amounts for those planning to settle down outside China, study or go on pilgrimages overseas, or buying mail-order medicines from other countries have also been raised, according to the new rules.



The old rules and regulations on the subject issued by the SABC in 1994 will be defunct when the new rules become effective July 1.

**PRC: Bank of China To Continue Support for Foreign-Funded Firms**

OW1705042296 Beijing XINHUA in English  
0344 GMT 17 May 96

[FBIS Transcribed Text] Tianjin, May 17 (XINHUA) — The Bank of China (BOC) has vowed to continue its support for the foreign-funded firms in the country, according to an on-going national credit conference here.

Deputy BOC Governor Yang Huiqiu said his bank, one of the top four in China, is taking a positive attitude toward assisting basic industrial and infrastructure projects, including energy resources, communications, transportation and basic raw materials.

The foreign firms capable of earning large amounts of foreign currency, and of achieving high profits and sales volumes will be the priority to get support from the bank, Yang said.

According to him, the bank extended 3.996 billion US dollars and 69 billion yuan (about 8.3 billion dollars) in loans to foreign-invested firms in China last year, an increase of 26.53 percent over the previous year.

Statistics show that a total of 137,000 foreign-funded companies have opened accounts with the BOC, and 20,800 have received loans from it.

**PRC: Foreign Investment Encouraged in 10 Major Fields**

HK1705085096 Hong Kong CHING CHI TAO PAO in Chinese 15 Apr 96 No 2465, p 12

[From "China Economic News" column: "Foreign Investment Encouraged in Ten Major Fields"]

[PTS Translated Text for FBIS] An official of the State Economic and Trade Commission's Foreign Trade and Economic Relations Department stated not long ago that China encourages foreign investment in 10 major fields. These are:

First, agricultural projects of comprehensive development and new technology — for example, the transformation of medium- and low-yielding plots, and the development of good-quality, high-yielding species;

Second, infrastructure and capital industry projects, including energy resources, communications and transportation equipment, and important raw materials;

Third, pillar industries, including electronic machinery, the petrochemical industry, and automobile manufacturing;

Fourth, projects involving the import of advanced technology so as to improve enterprise economic effects, and projects that can fill blanks in China and meet market demand;

Fifth, projects able to increase exports so as to bring in hard currency;

Sixth, projects being capable of utilizing resources in a comprehensive way, and projects involving new technology and new equipment for recycling resources;

Seventh, projects with new technology and equipment for preventing or ameliorating environmental pollution;

Eighth, projects involving technology and equipment of new-rising industries — for example, biological engineering technology, telecommunications system network technology, isotope radiation and laser technology, ocean development, and offshore energy resource development technology;

Ninth, the service trade, including consultation in international economic, science and technological information, and the maintenance of precision apparatus and equipment, and after-purchase service;

Tenth, projects that meet the state industrial policy in developing the central and western parts of China, where there are advantages in manpower and resources.

**PRC: Dutch Bank Opens Office in Tianjin**

OW1605144696 Beijing XINHUA in English  
1305 GMT 16 May 96

[FBIS Transcribed Text] Tianjin, May 16 (XINHUA) — The Netherlands' ABN-AMRO Bank opened its first office in the largest port city in north China on Wednesday [15 May].

This is the fifth office the bank has opened in China, after Shanghai, Shenzhen, Beijing and Guangzhou.

Anton Dikken, vice-president of the bank's Asia commission, said the China market is one of the best that his bank is exploring. He believes the unique location, communication network, and infrastructure of Tianjin will help this office become one of the most important bridges between Asia and the rest of the world.

The bank is a large international institution that is one of the top 20 in the world, with 1,600 branches in 67 countries and regions.

It has already provided more than 400 million US dollars in loans to over 70 projects and institutions



in China, in the fields of petrochemicals, metallurgy, space industry, mining, restaurants, trade, electricity, construction materials and textiles.

Tianjin has 11 foreign bank branches and 14 foreign financial institutions.

**PRC: First Imported Airbus-340 Lands in Shanghai 16 May**

OW1605133296 Beijing XINHUA in English  
1319 GMT 16 May 96

[FBIS Transcribed Text] Shanghai, May 16 (XINHUA) — China Eastern Airlines of Shanghai received its first Airbus Industrie A340 jetliner today, the first Chinese airline to fly the new ultra-long haul aircraft.

A340s can seat 289 passengers in first, business and economy classes. Today's arrival was the first of eight A340s ordered by the airline.

The airline will initially use the A340 to inaugurate the first non-stop service between Shanghai and Los Angeles, beginning in June.

China Eastern Airlines is Airbus's oldest and largest customer in China, and currently operates a fleet of ten A300-600Rs on domestic and regional routes.

The airline has a good record for on-time departures with its A300-600 fleet and in 1992, this was recognized with an award for "Operational Excellence" from the Airbus company.

The A340 is the first brand-new long-haul airliner in more than 20 years.

This year, China Eastern Airlines plans to import three A340 aircrafts to operate on its routes to the United States, Japan, Germany and Australia, a spokesman of the airline said.

**PRC: Fujian Cracks Down on 'Arbitrary Fees' on Foreign Investors**

OW1705085196 Beijing XINHUA in English  
0801 GMT 17 May 96

[FBIS Transcribed Text] Fuzhou, May 17 (XINHUA) — East China's Fujian Province has successfully launched a crackdown on arbitrary fees levied on foreign-funded enterprises.

A provincial official said that a total of 714.5 million yuan in extra-tax fees has been uncovered and returned to foreign-funded enterprises, which numbered more than 18,000 by the end of 1995.

Official data show that over 9,800 of the foreign-funded firms have become operational.

The official said that the increasing number of foreign-funded enterprises has been accompanied by rising complaints of arbitrary fees imposed on foreign investors, prompting the authorities to take stern action.

A total of 368 categories of fees have already been canceled, reduced or delayed in nine prefectures and cities, according to the official.

Local authorities have called off 18 and lowered 52 of the 151 fees collected by 87 units directly under the administration of the provincial government, saving foreign-funded enterprises 394 million yuan, the official said.

**PRC: Guangdong Strategy To Open Wider to Outside World**

OW1605130496 Beijing XINHUA in English  
1101 GMT 16 May 96

[FBIS Transcribed Text] Guangzhou, May 16 (XINHUA) — South China's Guangdong Province has just worked out a strategy to open wider to the outside world in the coming five years.

According to the program, the province will use 48.5 billion US dollars worth of overseas capital in the coming five years, up 19.5 percent over the past five years.

"This shows Guangdong's new development in opening wider to the outside world," a local official said.

Guangdong is expected to increase its exports by an annual average of 12 percent during the 1996-2000 period, while expanding exports of technology, labor services and information.

Overseas capital will be used mainly in the fields of infrastructure facilities, basic industries, overall agricultural development, high-tech and pillar industries, as well as service trade.

**PRC: Wuhan's Wantong, Hyundai To Enter Light-Duty Truck Market**

OW1705042396 Beijing XINHUA in English  
0343 GMT 17 May 96

[FBIS Transcribed Text] Wuhan, May 17 (XINHUA) — The Wuhan Wantong Automobile Company, a joint-venture, founded by Korea's Hyundai Motor Company from the Republic of Korea and China's Dongfeng Automobile Company, began production on a trial basis Thursday.

According to Peng Liwu, general manager of the company, which is located in the economic and technical development zone in Wuhan, the capital of Hubei

Province, it has six million US dollars in investment from Hyundai and is Hyundai's only light-duty truck plant in China.

The company, which will start regular production in July, plans to produce 1,000 to 1,500 light-duty trucks

this year and will have a production capacity of 30,000 light-duty trucks in three to four years.

By then, the price of the trucks may drop to below 200,000 yuan, according to the company.



### East Region

#### PRC: Fujian Secretary Speaks on Infrastructure Development

OW1605133996 Fuzhou FUJIAN RIBAO in Chinese  
24 Apr 96 p 1

[By reporter Zhang Jingui (1728 6930 6311)]

[FBIS Translated Excerpt] The provincial party committee held a standing committee session on 23 April to specially discuss the construction of selected development projects for this year and during the Ninth Five-Year Plan. [passage omitted]

Provincial Party Secretary Jia Qinglin presided over and delivered an important speech at the session. Chen Mingyi, You Dexin, He Shaochuan, Xi Jinping, Lin Zhaochu, Huang Songlu, Liang Qiping, Huang Ruilin, Lin Kaiqin, Shi Xingmou, Tong Wanheng, Pan Xiaocheng, Huang Xiaojing, and comrades in charge of relevant provincial departments attended the session.

The session listened to the reports submitted by the provincial planning commission, construction commission, and other departments on the plan for the province's capital construction and six selected major development projects and the construction process of selected development projects under construction. In the first quarter of this year, the province's 17 selected development projects now under construction have already used 1.101 billion yuan in investment, constituting 18.4 percent of the annual plan, an increase of 2.4 percentage points over the same period of 1995. The session agreed that the construction of the province's selected development projects now under construction progressed rather smoothly, with most of the projects running on schedule. [passage omitted]

At the session Jia Qinglin made a concluding speech. He said: Due to historical reasons, our province's infrastructure has seriously lagged behind. Thanks to the efforts of the most recent three five-year plans, a big improvement has been made in this regard. Nevertheless, at present it still cannot meet the needs of economic and social development. In accordance with the guidelines of the sixth provincial party congress and the requirements set by "Fujian Province's Ninth Five-Year Plan for National Economic and Social Development and Program for the Long-Term Target for the Year 2010," which was adopted by the fourth session of the eighth provincial people's congress, during the ninth five-year plan, efforts should be made to ensure that infrastructure construction gradually meets the needs for the development of the national economy. The realization of this target has a bearing on what kind of Fujian will we bring into the next century. It must be noted that doing a good

job of infrastructural construction means improving the investment environment and fostering Fujian's image in opening up to the outside world. [passage omitted]

How to carry out the construction of infrastructure well this year, Jia Qinglin proposed: 1) Grasp focal points and concentrate forces on carrying out a battle of annihilation. The selected development projects of the province and those of various cities should be undertaken unanimously and both sides' enthusiasm should be combined. The practice of "you have your own focal points, I have my own" should not be allowed. While the province attaches utmost importance to the construction of superhighways, some localities and individuals are setting up barriers to this. On no account should this way of doing things be allowed. Localities should have the situation as a whole in mind. This year we should strive for basic completion of the large projects, such as the 1,000-li seawall fortification project, vanguard [xian xing 0341 5887] project, and the Changle International Airport. In electric power construction, forces should be concentrated on building several large power plants while striving to build a provincial large-scale power grid. Development of local, small power stations should continue to be encouraged but it should be carried out in a planned, organized, and effective way and according to the principle of acting according to one's capability. 2) Establish a responsibility system. Both the provincial and local authorities should establish a responsibility system in carrying out major development projects with responsibility clearly defined and implement it level after level down to specific individuals so as to ensure its success. 3) Properly solve the crucial problem of fund shortage. Efforts should be made to bring the province's strong points into full play, further emancipate the mind, and boldly absorb foreign capital and open good development projects to foreign investment. There is currently a large amount of idle funds in society. It is necessary to set up a mechanism and formulate a policy to pool the idle funds for infrastructure construction. The state's and relevant departments' supporting policies should be brought into full play. It is necessary to step up efforts to study and define provincial-level subjects of investment and enhance provincial-level departments' capability to invest and finance selected development projects. [passage omitted]

#### PRC: Shanghai Restructuring of State Enterprises Noted

OW1005080396 Beijing XINHUA in English  
0734 GMT 10 May 96

[FBIS Transcribed Text] Shanghai, May 10 (XINHUA) — Shanghai's state-owned industrial firms raised their

asset's to 183 billion yuan from 149.8 billion yuan by the end of last year.

The share-holding corporations added 10.7 billion yuan to their capital, reduced debts by 1.5 billion yuan, and lowered the debt-asset ratio to 72.9 percent from 80 percent, local officials said at an international seminar on this subject in Shanghai Thursday.

Shanghai established corporations in which the state controls most of the shares, as part of efforts to revitalise state enterprises by streamlining their structures and making better use of capital.

It helped increase the value of state assets and steer enterprises from direct government administration, vice-mayor Jiang Yiren pointed out.

By the end of 1995, Shanghai had authorised 33 such corporations to manage 50 percent of locally-managed state assets in the city, while drawing up regulations and putting in place a responsibility mechanism to control the movement of state assets.

Capital and production materials have flown into industries and enterprises with advantages, promoting a coalition between different departments, industries and regions, the officials said.

State-controlled corporations in sectors such as machinery and electronics, textiles, metallurgy, light industry and retail have invested in, and united with 45 entities, to widen channels for a growth in state assets.

### Central-South Region

#### PRC: Guangdong Governor on Poverty Elimination Efforts

OW0905220596 Beijing ZHONGGUO XINWEN SHE  
in English 1744 GMT 9 May 96

[FBIS Transcribed Text] May 9 (CNS) — At the Meeting of the Organizing Committee of Guangdong "International Poverty Elimination Year" Activities yesterday, Lu Ruihua, Guangdong Provincial Governor, said that Guangdong should strive to put an end to poverty situation in whole territory by the end of 1997.

Mr. Lu said that over the past ten years, governments at all levels in Guangdong, well-off regions and enterprises, Hong Kong, Macao and Taiwan compatriots and overseas Chinese had contributed much to the Province's poverty-relief undertakings. The situation of 50 mountainous regions, which accounted for 65 percent of the total area and 42 percent of the population in the province, had greatly changed. Poverty-stricken population in mountainous regions decreased from 4 million in 1985 to 800,000 at present. Of these 800,000 people, 61 percent were distributed in 16 poorest counties.

Mr. Lu said that the Provincial Party Committee and Provincial Government demanded to eliminate poverty in the whole province by the end of next year, including all mountainous regions. The Province planned to set aside RMB 400 million as poverty-relief funds for helping 16 poverty-stricken counties. Rich regions like Guangzhou, Shenzhen, Zhuhai, Shantou, Foshan, Zhongshan, Dongguan and Jiangmen would be responsible for lending support to these counties.

#### PRC: Guangdong Antismuggling Effort Said Lacking Resources

HK1305080396 Hong Kong SOUTH CHINA  
MORNING POST in English 13 May 96 p 9

[By Irene So]

[PTS Transcribed Text for FBIS] Guangdong's anti-smuggling effort is being hampered by a lack of manpower and equipment, a senior Shantou Customs official says.

Fu Guoliang, deputy chief of the Shantou Customs Department, said it was virtually impossible to halt the rampant smuggling given the limited resources at its disposal.

Similar problems were being faced by officers in other parts of Guangdong, Mr Fu said.

In the first three months of this year, the value of merchandise seized by Guangdong anti-smuggling officers reached more than 400 million yuan (HK\$371 million) — a 113 per cent increase over the corresponding period in 1995.

The number of cases rose 25 per cent.

Situated on the border between Guangdong and Fujian, Shantou is known to be a blackspot for smugglers.

Like many coastal areas of Guangdong, most smuggled goods seized in Shantou were transported by sea and through Hong Kong.

Last year, the value of goods seized by officers rose 148 per cent.

Most of the goods were cigarettes, cars and electrical appliances.

Guangdong party secretary Xie Fei has ordered anti-smuggling officers in the province to "produce better results" this year. Local officials will be held personally responsible if they fail to report an improvement.

"Honestly, the manpower of Shantou Customs is definitely insufficient. So is our equipment," the deputy chief said.



"We are very much in need of improving both."

Despite rampant smuggling activities along its coastline, Shantou had only 1,400 customs officers, responsible for both clerical duties and inspections and patrols, Mr Fu said.

"Anti-smuggling efforts in virtually all major cities of our province are complicated by these problems.

"But they should not be too harsh on us.

"We are fighting an uphill battle."

Although the Government has increased its funding to combat smuggling, Mr Fu said more was desperately needed.

According to Mr Fu, Shantou hoped to hire at least 30 more officers this year, but such a boost in manpower resources would need special funding from the central authorities.

In addition, Shantou would need more advanced equipment to check cargoes. Officials have found an increasing number of smugglers who try to ship their merchandise through Customs using documents with forged government seals.

#### **PRC: Results of Guangdong Police Raids Noted**

*OW1205074196 Beijing ZHONGGUO XINWEN SHE in English 1225 GMT 10 May 96*

[FBIS Transcribed Text] Guangzhou, May 10 (CNS) — Guangdong police unearthed 3,850 criminal cases and cracked down on some 800 criminal gangs in a two-day raid launched on May 7 and 8.

Statistics revealed that some 300,000 law enforcement officials including those from the Party and local public security departments staged raids on 192,968 rented houses, construction sites, work sheds and hair saloons across the province. A total of 3,850 cases were solved in the anti-crime drive. Law enforcement officials cracked down on 179 prostitution, gambling and drug trafficking dens as well as 843 criminal rings with 3,587 members. They also seized 531 firearms and a big amount of stolen money and valuables worth RMB [Renminbi] 25.58 million.

The Zhuhai public security bureau wiped out a criminal ring which used motorcycles to rob those who escorted bank deposits. Four suspects of the ring were arrested who were involved in Guangzhou's 12 such criminal cases and robbed money of 600,000 yuan.

#### **PRC: Guangdong Reins in Luxury Construction Projects**

*OW1605043596 Beijing ZHONGGUO XINWEN SHE in English 0159 GMT 16 May 96*

[FBIS Transcribed Text] 15 May (CNS) — Noting that there is plentiful land left idle in various provinces and cities, the provincial land bureau of Guangdong has decided not to approve any more new applications for land granted for luxury property development projects until the end of the year.

In addition, apart from drawing a fine line that the ratio of land occupied by expensive projects, including high class hotels and golf courses, shall not exceed 18 per cent of the aggregate area intended for development in years to come, the Province will disapprove any real estate development projects infringing farmland or agricultural fields.

To make sure the idled land will be justifiably utilised as quickly as possible, the government will either levy a fee from the approved developers or recover from them if they are unable to start off the projects in the near future due to financial difficulties.

The government's tightened control was sparked off by excessive luxurious hotel, office buildings, private club and hospital projects over the past few years, which have not only resulted in a strained cash flow and uneven allocation of the land available but have also seriously hampered the healthy development of the real estate sector as a whole.

#### **PRC: Shenzhen Reports Better Financial Situation**

*OW1605155496 Beijing XINHUA in English 1518 GMT 16 May 96*

[FBIS Transcribed Text] Shenzhen, May 16 (XINHUA) — Deposits balance in domestic financial institutions in this special economic zone in south China's Guangdong Province rose to about 126 billion yuan by the end of April, about 4.7 billion yuan more than in March.

Their loans balance jumped to nearly 83 billion yuan, about three billion yuan up from the beginning of the year, according to statistics released by the local branch of the People's Bank of China, the central bank.

Funds flowing into the city exceeded those flowing out by more than three billion yuan, said officials at the electronic clearance center here.

Enterprise deposits, reversing a sharp downward trend over the previous months, grew by about three billion yuan in April, while individual deposits expanded by nearly 1.9 billion yuan from March.



The increased loans were used as circulating capital for commercial and industrial entities and foreign-funded firms, and as loans for fixed assets investment.

"The bullish local securities market has attracted funds from other parts of China as well as individual deposits," an official pointed out.

A relaxed financial environment across the country has helped local enterprises receive previously delayed payments, promoting their sales revenues and settlement activities.

"Shenzhen is expected to have a better financial situation soon," said Wang Xiyi of the local branch of the central bank.

"Banks in Shenzhen offer a big margin of profits for local enterprises because of their recent cut in interest rates, and this will spur their transactions," he said.

He predicted that the domestic financial institutions in Shenzhen will continue to lead other large and medium-sized cities in China in creating profits. Their profits this year should top last year's 4.7 billion yuan, he said.

**PRC: Guangdong Investment in 3 Gorges Project Outlined**

OW1605161096 Beijing XINHUA in English  
1428 GMT 16 May 96

[FBIS Transcribed Text] Chengdu, May 16 (XINHUA) — South China's Guangdong Province has become one of the country's major supporters of the Three Gorges Project with a total investment of over 90 million yuan.

The province has taken steps to help residents in the reservoir area escape poverty. The provincial government and the cities of Guangzhou and Shenzhen have established a cooperation fund for assisting economic development in Wushan County.

Shenzhen has invested two million yuan in the county's brickyard for technological improvements, and 6.2 million yuan in the county's telecommunications and waterworks.

The Guangdong government has put 19.61 million yuan into aiding relocation of people and rebuilding schools in areas to be flooded by the reservoir. It also helped substation and power transmission projects between Wushan and Dachang counties.

The Wushan cigarette factory, built with an investment of eight million yuan by the Guangdong Tobacco Corp., increased its profits and taxes by 43 percent last year.

Guangzhou also helped Wushan County build a cement company with an investment of 20.24 million yuan.

**PRC: Statistics Show Haikou Growth Since 1988**

OW1005023896 Beijing XINHUA in English  
0219 GMT 10 May 96

[FBIS Transcribed Text] Haikou, May 10 (XINHUA) — Haikou's population has doubled to half a million since it became the capital of the island province of Hainan in 1988, according to the city's statistics bureau.

Hainan is China's largest special economic zone, whose flexible policies are meant to encourage overseas investors including those from Hong Kong, Macao, and Taiwan.

An official with the statistics bureau said that the city government has spent 1.6 billion yuan on infrastructure construction since 1988. As a result, Haikou's urban area has grown to 40 sq km from 18 sq km, and total floor space has doubled to 13.58 million sq m.

On average, Haikou's airport handles 100 flights daily, the official said, adding that the city is linked by 51 air routes to 200 major cities in China and four air routes to Hong Kong and southeast Asia.

There are now 42.5 telephones for every 100 Haikou residents, more than any other provincial capital city in China.

"The city government has always paid close attention to urban planning and environmental protection," the official said.

Over the past five years, 78 km of sewage pipelines have been laid, a number of sewage treatment plants built, and 1.13 million trees and 1.83 million sq m of lawn planted.

As a result, tree coverage in urban areas has risen to 37.7 percent and per-capita green space to 8.3 sq m.

**PRC: Henan Secretary on Struggle Against Crime**

SK1305064596 Zhengzhou HENAN RIBAO  
in Chinese 30 Apr 96 p 1

[By reporter Li Xiaowei (2621 2556 3837)]

[FBIS Translated Excerpt] In his 26 April speech at the provincial work conference on dealing strict blows to criminal activities, Li Changchun, secretary of the provincial party committee, stressed that all levels of the party committees and governments and all departments should adopt an attitude of conscientiously holding themselves responsible to the party, the people, society, and the law; should have a high sense of political responsibility to act in unison with the party Central Committee; should do a good job in organizing the struggle against criminal activities; and should take real

action to prove that the party and the government have both the ability and methods to solve the problems related to public order and are able to create a good production, living, and study environment for the people.

Ma Zhongchen, governor of the provincial government, chaired the conference. Present at the conference were some provincial party, government and Army leaders, including Li Changchun, Ren Keli, Song Zhaosu, Fan Qichen, Zheng Zengmao, Wang Yingzhou, Wang Quanshu, Wang Youjie, Dong Lei, Song Guochen, and Hu Tiyun; as well as responsible comrades of the political and legal commission under the provincial party committee, the provincial judicial department, the provincial procuratorate, the provincial court, the provincial public security department, and some provincial-level departments.

It is reported: The public order in the province is generally stable. However, some problems still exist, and the situation is grim. Generally speaking, through the concerted efforts made by the party committees and governments at various levels and the public security departments, the province has generally safeguarded the stability of the public order. However, we cannot be optimistic about this situation. Various types of problems sabotaging the public order prominently exist. The number of criminal cases increases, and the crimes committed are getting more vicious. Particularly the number of major criminal cases, such as explosions, murders, robberies, rapes, injuries, and thefts, tends to increase, seriously sabotaging the social order. Some bad symptoms in the public order emerged in the first quarter of this year. Simultaneously, the number of criminal cases involving guns, cases of stealing and robbing motor vehicles, and narcotics-related cases increased. Gangs of criminals and hooligans with the nature of underworld society ran wild, did evils, and bullied the people in villages and towns. A number of criminals are at large now, and some of them are doing evil and sabotaging society. The provincial party committee has done a lot of work in this regard according to the arrangements of the party Central Committee. On 23 April, the provincial party committee held a standing committee meeting to study the guidelines of the relevant instructions of the central authorities and to especially study the province's specific arrangement for the struggle against serious criminals. On 24 April, the provincial party committee transmitted the provincial political and legal committee's "opinion on waging a provincewide struggle against serious criminals" in an effort to crack a number of major cases and to conclude a number of long-pending cases through the struggle. As a result, the province eliminated in a centralized manner a number of lairs which sabotaged the public order; destroyed a

number of gangs of criminals and evil forces; arrested a number of criminals immediately after the act, as well as a number of escaped criminals; timely arrested, prosecuted, and sentenced a number of serious criminals; confiscated a number of illegally manufactured firearms and ammunition and explosives; realistically reduced the number of gun- and explosive-related cases; sternly checked the evil phenomena in society; eliminated the trend that pornographic, gambling, and narcotics-related activities spread unchecked; preliminarily set up various layers of networks to guard against criminal activities; further implemented the measures for comprehensively improving social order; and basically ensured the stability of the political situation and the public order. [passage omitted]

### Northwest Region

#### PRC: Gansu Issues People's Procuratorate's Work Report

SK1705050496 Lanzhou GANSU RIBAO in Chinese  
17 Feb 96 p 4

["Excerpts" of Gansu Provincial People's Procuratorate's Work Report by Li Dekui, chief procurator of the provincial people's procuratorate, at the fourth session of the eighth provincial people's congress on 6 February]

[FBIS Translated Text] In 1995, under the proper leadership and supervision of the provincial party committee and the provincial people's congress, all levels of procuratorates of the province adhered closely to the central tasks of the party and deeply followed the guidelines of the fourth and fifth sessions of the 14th party Central Committee. The procuratorates persisted in servicing the reform and economic development and using the principle of "enforcing the law strictly and going all out in handling cases" to govern the overall procuratorial work situation. The anticorruption investigation was deeply, solidly, and effectively developed to crack down on major and serious cases. The serious criminal crimes were given severe blows according to the law. Law-enforcement supervision, self-development, and other procuratorial tasks were also strengthened. As a result, achievements of the procuratorial work reached a new height. Their work also contributed appropriately to maintaining political and social stability, to protecting reform and economic development, and to promoting honest administration in our province.

#### I. Energetically Investigate Major and Serious Economic Crimes Such as Corruption and Bribery



### Cases and Steadily Deepen the Anticorruption Struggle.

There were 1,803 economic crime cases such as corruption and bribery cases accepted in 1995, of which 860 cases involving 1,017 people were put on record after preliminary investigation was done, up by 13.5 percent, 14.4 percent, and 16.5 percent respectively over the previous year. Among them, 345 cases were related to corruption, 150 cases to bribery, 242 cases to embezzlement, 94 cases to tax dodging, tax evasion, and resisting to pay tax, and 35 cases to trade mark imitation, smuggling, and other economic crimes. A total of 50.7 million yuan of economic loss was recovered for the country and collectives through the investigation work. The number of cases accepted and investigated and the amount of economic loss recovered last year were the highest since implementation of the "notice" issued by the Supreme People's Procuratorate and the Supreme People's court.

(1) The number of major economic cases, such as corruption and bribery cases, being investigated was on the rise. The number of major cases involving corruption or bribery over 10,000 yuan and cases involving over 50,000 yuan in embezzlement, trademark imitation, tax dodging, evasion, and resisting to make tax payment totaled 349 cases. They consisted of 40.8 percent of total case registered, and showed an increase of 26.4 percent over the previous year. Among them, 76 cases involved more than 100,000 yuan and less than 500,000 yuan; 15 cases involved more than 500,000 yuan and less than 1,000,000 yuan; and 7 cases involved over 1,000,000 yuan. Compared with the previous year, such cases increased by 22.5 percent.

(2) New headway was made in the investigation of the cases committed in key department and serious cases involving leading cadres at and above the county level. A total of 117 cases involving 131 people from the "three organizations and one department" were investigated and handled in connection with corruption, bribery, and other economic crimes. Among them, 29 people were from party and government organizations, 29 from law-enforcement administration organizations, 24 from judicial organizations, and 49 from the economic management department. A total of 48 cadres at and above the county or section level, including four at the prefectural (department) level, were investigated and handled.

(3) Efforts were made to focus on investigating a number of judicial personnel and law-enforcement administrative personnel who were involved in corruption, bribery, favoritism, irregularities, and other related crimes. These kinds of crimes investigated totaled 60, and 69 people were involved. Among them, crime cases

against 40 judicial personnel were established, doubling the total of the previous year. A total of 27 public security police cadres, five judges, three procuratorial staff, and five other personnel were involved.

(4) New results were obtained in the crackdown on the modern crimes that obstructed the implementation of important reform measures. There were 536 cases involving crimes committed by state-owned enterprise personnel during the process of transforming the enterprise ownership into the stocksharing system, leasing, auctioning, and merger. Among them, 297 were major and serious cases; 105 were related to tax dodging, tax evasion, and resisting tax payment; and 61 cases involving 71 personnel of the banking system were cases related to corruption, accepting bribes, embezzlement, and dereliction of duty, up by 59.5 percent and 54.3 percent over the previous year, respectively.

(5) Investigation and handling of the personnel in county organizations, township offices, and grass-roots level organizations were further deepened. A total of 115 crime cases involving 147 such personnel were investigated and handled last year, which accounted for 13.4 percent and 14 percent, respectively, of the total cases registered in the year. Among them, 49 cases involving 70 people were developed at county organizations and 17 bureau directors were put on record for investigation. There were 41 cases and 46 people related to township offices and 25 cases and 31 people related to grass-roots organizations.

Judging from the cases investigated and handled by procuratorial organizations, the following special patterns of current economic crimes such as corruption and bribery in our province were discovered: First, major cases and serious cases were linked together. In order to find a patron and make connections, some criminals handed out bribes to many people or to make "friendship investment." Tempted by money, some government employees used the power entrusted to them to provide convenience to criminals and caused serious loss to the country; Second, some of the criminals used their "double identity" to appropriate state-owned assets. They managed state-owned or collective enterprises on the one hand and ran private enterprises on the other hand. They used their position to appropriate, embezzle, and make personal gains; Third, criminals investigated and handled included not only personnel in charge of money and property but also those in charge of social management; Fourth, joint crimes were on the rise and serial crimes and crimes hidden in other crimes also increased. Some 113 criminals investigated and handled, or 11.7 percent of the total, were involved in joint crimes; Fifth, the main criminals demonstrated obvious professional characters. The number of crimes committed by the



staff working in the banking system was relatively high and the number of personnel involved topped all other trades. Crimes committed by responsible persons in enterprises and institutions were relatively notable, and 294 of them were investigated, accounting for 28.9 percent of all criminals; Sixth, some new changes took place in criminal acts as criminals used the loopholes of the imperfect law and policy to carry out illegal activities. For example, some people gave bribes and took bribes in the name of "gift" or "remuneration" and some people used "purchasing shares" or "merger" to embezzle in order to avoid legal punishment. These situations indicated that the anticorruption struggle is still a very arduous task even though positive results were achieved in many stages of the anticorruption struggle. Procuratorates in the province must maintain the excellent style in continuous combats to develop a deep and sustainable investigation of economic crimes such as corruption, bribery, and so on.

## **II. Intensify the "Crackdown" Struggle as Well as Maintain Social and Political Stability and Social Order.**

A total of 12,712 applications for arrests were received from public security organizations and 11,293 arrests were approved after investigation. A total of 13,559 suspects were transferred for prosecution, and 11,457 criminals were prosecuted after investigation. The province's social order was preserved.

—The focus of the crackdown was on heinous violent crimes such as murder, robbery, rape, usage of explosives, crimes committed with guns, and so on, especially organized crimes involving underground criminal organizations. Approvals to arrest 4,133 people involved in serious and particularly big cases were made, and they accounted for 36.6 percent of the total number of arrests. Thus, the safety of the lives and properties of the people were secured.

—We actively participated in special struggles and the rectification of social order of rural areas. Approval was given to arrest 5,616 robbers and thieves. Among them, 1,784 were arrested for serious robbery and theft; 1,049 for production and trafficking of drugs; 147 for kidnapping and selling women and children and vandalizing power generation, water resources, railroads, oil fields, and communication facilities; and 343 were gang members involved in other organized crimes. A total of 6,940 criminals related to the mentioned crimes were prosecuted.

—The procuratorial work related to state security was enhanced. A number of criminals involved in activities endangering the safety of the country were arrested promptly.

—Crime prevention was developed and comprehensive social order management measures were implemented earnestly. All levels of procuratorates developed the comprehensive management work by fully utilizing the publicity of reporting, legal consultation, and supporting public prosecution in courts. They helped improve the constitutions and systems of the units where cases were turned up by pointing out the loopholes and hidden faults of their current management system during investigation. After gathering, identifying, and analyzing the characteristics and patterns of various crimes, suggestions were made on preventive measures to stop crimes. The follow-up visits and inspections of the people who were excused from being prosecuted were conducted. Complaint and reporting letters and visits received from the masses were handled seriously in order to promptly ease contradictions and eliminate destabilizing factors.

## **III. Intensify Efforts To Handle Cases and Make New Progress in Law-Enforcement Supervision**

In view of the existing problems such as not obeying the law, not enforcing the law strictly, not investigating and not affixing legal responsibility to crimes, and so on in law-enforcing activities, we strengthened the concept of supervision, emphasize supervision effects, and coordinated the correction of violations with the investigation of crimes committed by judicial personnel. Supervision was enhanced through case investigation, and law-enforcement supervision was steadily strengthened.

In investigation supervision, we energetically developed the supervision of the registration of major and serious criminal cases. The focus was on correcting the problems that crimes were not investigated and legal responsibility not affixed, and that imprisonment was replaced with fines. Twenty-three cases involving 28 people were put on record directly for investigation in accordance to the 13th regulation of the Criminal Procedural Law. Applications received from public security organizations for arrests and prosecution were investigated strictly. The aim was to ensure no innocent people were convicted and no criminals were freed. A total of 858 unwarranted arrest and prosecution applications were denied according to the law. However, there were 25 other people added to the list for arrests and 20 people added to the list for prosecutions. Ninety-six corrective proposals were made concerning law violations committed during the process of investigation.

The supervisory function in trying and punishing criminal cases was focused on the appeal work regarding mistrials such as light sentences for serious crimes, acquittal of guilty parties, and so on. Eighty-five appeals were filed for mistrials of criminal cases and the de-

cisions on 35 of these cases were already changed in court. Fourteen proposals were made for corrective actions concerning violations of the law during trial procedures.

The procuratorial work concerning law and discipline violation took the tasks of investigating abusive use of position authority and dereliction of duty, such as favoritism and forsaking duties, as the important context of the anticorruption work and of the investigation and handling of major and serious crimes. There were 797 such law and discipline violation cases accepted last year, and 222 of them were registered, up by 16.4 percent and 15 percent, respectively, over the previous year. Thirty-two of them, or 14.4 percent, were particularly serious cases, and 35 cases were related to dereliction of duty, doubling the number of the previous year, and they involved over 40 million yuan.

The internal control mechanism of procuratorial organizations were strengthened and self-supervision was improved. The arrest approval and prosecution departments of the province's procuratorates examined applications received from their own investigation departments for arresting 540 people in violation of the economic law and discipline. There were 461 people arrested and 489 prosecuted after the investigation. Through investigation of the cases on file, one wrongful arrest was found and corrected, two missed arrests were discovered, and four missed prosecutions were located. Departments in charge of appeals reexamined the appeals against procuratorial organizations' 51 decisions on disapproval of arrests, exemption from prosecutions, and non-prosecution, and eight decisions were changed.

New achievements were made in the procuratorial work in prisons, houses of detentions, and centers for reeducation through labor as well as in the procuratorial work concerning civil and administrative cases.

#### **IV. Seriously Implement the "Procurator Law" and Promote the Contingent Construction.**

The province's procuratorates followed the principle of "building the procuratorates according to the law and strictly administrating procuratorial work" and persisted in taking ideological and political construction as the task of highest priority. The political consciousness and ideological insight of prodigious police cadres were heightened. The awareness in enforcing the basic party line was further enhanced. The development of leading bodies was gripped tightly with an aim to improve the quality of leading cadres and the overall leadership of the body. The anticorruption drive was earnestly developed within procuratorial organs and promotion of honest administration was enhanced. The law and discipline violation cases committed among

police cadres were strictly investigated and handled. Implementation of the "Procurator Law" was taken as the juncture to make more strict the assessment, hiring, rewarding, punishment, and dismissal systems for cadres. The training programs for people assigned to a new position and to meet the qualifications of a position were conscientiously developed. The political, professional, and educational quality of the contingent were remarkably improved.

The key tasks of the procuratorial work for 1996 are to take Comrade Deng Xiaoping's theory of building socialism with Chinese characteristic and the basic party line as the guiding policy; to persist in the guiding principle of serving the establishment of the socialist market economy system and servicing economic development; to adhere to the work principle of "enforcing laws strictly and making great efforts to investigate cases"; to develop the various procuratorial tasks in all facets; and to promote a smooth development in reform, opening up, and the modernization drive. The focus should be placed on the following tasks:

—Insist on investigating major and serious cases to promote continuous deepening of the anticorruption struggle. First is to continue the investigation on crimes committed in the "three organizations and one department," especially on serious crimes committed by leading cadres. Second is to investigate crimes, such as corruption, taking bribes, playing favoritism, committing irregularities, committed by judicial personnel and law enforcement administrative personnel. Third is to investigate the modern crimes that are threatening the establishment of the socialist market economy system or obstructing the implementation of important reform measures. Fourth is to investigate crimes involving leaders of state-owned enterprises and institutions and leading cadres of county organizations and township offices.

—Persist in carrying on the crackdown struggle and maintaining social stability. The emphasis should be on the crackdown on cases of murder, robbery, stealing, rape, usage of explosive, and especially criminal gangs involved with organized crimes. The serious criminal offenses that have damaging effects on the national economic order must be stamped out whenever exposed to prevent them from becoming a trend. The procuratorial work concerning state security should be intensified so as to secure the struggles against the hidden battle fronts. The special struggles of related departments fighting against trafficking of drugs, serious robberies, and other crimes must be complemented.

—Law-enforcement supervision should be further enhanced and strict law enforcement should be promoted. The two principles of "dealing severe and prompt



blows" and applying "stern and strict punishment" to crimes should be firmly followed. Problems such as not obeying the law, not enforcing the law strictly, not correcting law violations, and abusive use of position power must resolutely be corrected. Attention must be paid to cases where the law is not being enforced strictly or fairly so as to expose and investigate possible crimes committed by judicial personnel and to protect justice within the judicial system.

—The "Procurator Law" must be implemented seriously and the construction of the contingent must be enhanced. Achieving ideological and political progress must be taken as a top priority task in building the procuratorial contingent. The police cadres should be armed with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristic. The focus of building the contingent should be on developing the leading bodies so as to enable leading bodies at all levels to be politically sober and firm at all times. The management mechanism and hiring mechanism should be established and improved according to the law. The enthusiasm of the enormous group of police cadres in handling cases must be encouraged and supported. The supervision from the standing committee of the people's congress and their deputies must be earnestly accepted. The procuratorial work must keep on improving.

**PRC: Ningxia Expands Commercial Goods Distribution Network**

*OW1105150696 Beijing XINHUA in English  
1430 GMT 11 May 96*

[FBIS Transcribed Text] Yinchuan, May 11 (XINHUA) — Northwest China's Ningxia Hui Autonomous Region has expanded both wholesale and retail facilities to build a more convenient consumer goods distribution network.

Ningxia has built more than 290 open-air fairs and 45 markets for sideline farm produce and industrial products. Their business volume is currently growing by over 30 percent each year.

Every 10,000 residents of the region now have access to 69 retail businesses.

The consumer goods market has recorded strong growth in recent years, especially for household electrical appliances, building and decorating materials, clothing and shoes, textiles, and articles for everyday use.

Last year, the region reported gross consumer goods retail sales of 5.65 billion yuan, up 26 percent on the previous year.

The autonomous region has also formulated local laws and regulations to promote a healthy development for the consumer goods market.

**PRC: Shaanxi Holds Conference on Unified Anticrime Campaign**

*SK1005065196 Xian SHAANXI RIBAO in Chinese  
30 Apr 96 p 1*

[Report by reporter Ji Ping (0370 1627)]

[FBIS Translated Text] At the provincial telephone conference to arrange the unified campaign to strictly crack down on crime, which was held on the evening of 25 April, An Qiyuan, secretary of the provincial party committee, came up with a clear demand: "In this unified campaign against crime, we should persistently take the need to stress politics as the guidance; further enhance our confidence and determination to achieve success in the campaign; create momentum; and provide a good environment for Shaanxi's reform, opening up, and economic construction."

The conference, held by the provincial party committee and government, made arrangements for this province wide in-depth unified campaign.

Liu Ronghui, deputy secretary of the provincial party committee, chaired the conference. In attendance were Li Huanzheng, Standing Committee member of the provincial party committee and secretary of the provincial discipline inspection commission; Vice Governor Gong Shunde; and comrades in charge from relevant provincial-level departments. Ai Pishan, Standing Committee member of the provincial party committee and director of the provincial Public Security Department, gave a report on Shaanxi's endeavor to safeguard stability and the province's public security situation. He also issued a call to mobilization and a plan for this unified campaign.

An Qiyuan, secretary of the provincial party committee, gave an important speech. He pointed out: Since last winter, party committees, governments, and public security, procuratorial, and judicial departments at all levels in the province have carried out a large amount of fruitful work to comply with Comrade Jiang Zemin's demand for "stressing politics"; to implement the guidelines of the national and provincial public security work conferences; to keep the general task in view; to serve economic construction; and to adhere to the principles of "taking stability as an overriding task" and "simultaneously attending to the spiritual and material civilizations, succeeding in both." In general, Shaanxi's current political, economic, and public security situation is good. However, we should also remain clear-headed to

see that there are still many conspicuous problems affecting our public security and social stability, that the situation is still very grim, and that tasks are still very arduous.

An Qiyan emphasized: Being different from previous special struggles, this unified campaign should be carried out in a planned and step-by-step manner under sound leadership and in line with the province's arrangements. The first crackdown should be a success so that momentum can be created. First, top party and government leaders should mobilize forces and personally make arrangements; conscientiously assume their responsibility, strictly implement the plans of the party Central Committee and the provincial party committee; work out overall arrangements; prioritize major tasks; pay close attention to key links; accurately pinpoint the areas to start with; and muster superior forces to sternly crack down on various serious criminal activities. Second, public security, procuratorial, and judicial departments at all levels should unify thinking, coordinate action, adopt strict and prompt measures, and give full play to the advantage of their coordinated operation. Third, focus should be placed on the rectification of localities and public places where public order is chaotic.

Ai Pishan, Standing Committee member of the provincial party committee and director of the provincial Public Security Department, clarified the major tasks of this unified campaign as the following. First is to muster superior forces to promptly crack a large number of major and serious cases and to seize a large number of escapees. Second is to resolutely crack down on crimes of violence, especially gang crimes committed with guns and crimes with gangster features. Third is to emphasize the crackdown and prevention of robbery and theft targeted at financial units and urban residential areas. Fourth is to concentrate on the rectification of localities, public places, and road sections where public order is chaotic. Fifth is to strictly investigate and ban drug abuse, abduction and trafficking of women and children, prostitution, production and marketing of pornographic products, gambling, and other ugly phenomena in society. Sixth is to make great efforts to confiscate illegal firearms and ammunition, explosives, and knives, and to strictly crack down on the production and marketing of banned goods.

**PRC: Xinjiang Chairman Cautions Against Ethnic Splitism**

*OW1605120996 Urumqi XINJIANG RIBAO  
in Chinese 21 Apr 96 p 1*

[By reporter Nan Zhu (0589 3796)]

[FBIS Translated Text] At a meeting of cadres of Aksu Prefecture on 19 April, Abdulahat Abdurixit, chairman of the Xinjiang Autonomous Region, stressed that, in accordance with the current characteristics of the relatively fast momentum and good economic development of the prefecture, we must correctly handle the relationship between development and stability. He said that on the one hand, we must use economic development to maintain political stability, and on the other hand, we must use political stability to guarantee economic development and ensure that people of various ethnic groups can become prosperous and advance toward a comfortable life.

Attending the meeting were principal leading cadres of the Regional Planning Committee, Education Committee, Civil Affairs Department, Construction Department, Water Resources Department, Public Health Department, Public Security Department, and Agricultural Affairs Office, and more than 600 ethnic cadres of the prefecture. Abdulahat Abdurixit said that during the Eighth Five-Year Plan period, Aksu Prefecture made great development in the economy, brought about great changes, made tremendous contributions, and promised great potential. In 1995 its gross grain output was 820,000 tonnes, and its gross cotton output was 5.5 million dan, or 110 kg per unit area yield. Xinjiang became China's biggest cotton-growing region with the highest per unit area yield. The per capita income of the peasants and herdsmen was 1,282 yuan. This spring, more than 1.8 million people of various ethnic groups also seized the time to carry out spring farming on land with an area of 130,000 square km.

He said that Aksu Prefecture has unique opportunities and advantages, that is, it is extremely rich with water and land resources, as well as oil and coal resources, efforts to build water conservancy works for many years have laid a good foundation for agriculture, it has good transportation facilities, and so on. All this has provided good conditions and laid a good foundation for Aksu Prefecture to rapidly develop its economy with high efficiency. Of course, in the course of development in the future, new situations, new problems, and new difficulties, in particular those caused by a relatively poor infrastructure, force majeure, shortage of financial resources, and so on, may emerge. These are problems which may emerge in the course of development. Some of them will be solved ourselves through developing the



economy, while others will be solved with the assistance of the state.

In view of Aksu's work at present and in the future, Abdulahat Abdurixit said that, first, we must comprehensively and seriously study and implement the guidelines of the two regional meetings, emancipate the mind, update concepts, and work out targets of endeavor and measures for operation in light of local reality; second, we must earnestly, firmly, and properly grasp production in this spring and lay a good foundation for reaping a bumper agricultural harvest in the first year of the Ninth Five-Year Plan; third, we must firmly seize the favorable opportunity of the building of grain and cotton production bases, expand farming areas, and strive to increase per unit area yield; and fourth, we must properly carry out the project for increasing water sources and saving water, improve production conditions, increase the income of the people, and enable the poor to become prosperous and the people of various ethnic groups to live and work in peace and contentment.

Speaking about creating a stable political environment to ensure the development of the prefecture's economic construction, Abdulahat Abdurixit pointed out that we must resolutely implement the party's basic line, persistently regard economic construction as the center, correctly handle the relationship between reform, development, and stability, and enable cadres and people of various ethnic groups to understand that without a stable social and political environment, nothing can be accomplished, and without stability, there can be no development in anything. He stressed that the struggle to safeguard stability and oppose ethnic separatism is a long-term one and is complicated and arduous. We must never relax our vigilance. We must correctly handle the two categories of contradictions of a different nature and resolve contradictions and problems according to their nature. We must conduct education on the party's nationality policy among cadres and people of various ethnic groups. We must hold high the banner of great solidarity among various nationalities.

In view of the revival to a certain extent of illegal religious activities, he stressed that we must unswervingly implement the party's religious policy, and resolutely ban illegal religious activities. The party's religious policy is written in the Constitution. We must guard against an extremely small number of ethnic splittists spreading ethnic separation and fanning up a religious fanaticism under the cover of illegal religious activities. We must strengthen management of religious activities according to law and all religious activities must be carried out within the scope permitted by the Constitution. We must educate and guide the people of all nationalities, beginning from children, to consciously safeguard the

solidarity of all nationalities, to consciously safeguard the motherland's unity, and to jointly create a lasting stable political environment for economic development.

#### PRC: Xinjiang Targets 'Splittists' in Anticrime Drive

OW1605143796 Urumqi XINJIANG RIBAO  
in Chinese 1 May 96 p 1

[Unattributed article: "Xinjiang CPC Committee Secretary Wang Lequan Presides Over Meeting To Arrange Next Stage 'Serious Crackdown'"]

[FBIS Translated Text] On the morning of 30 April, the Xinjiang Uygur Autonomous Regional CPC Committee called a meeting to report on the situation of the "serious crackdown" in Xinjiang and to study and arrange for the next stage of the "serious crackdown" in Xinjiang. Wang Lequan, secretary of the Xinjiang Uygur Autonomous Regional CPC Committee, chaired the meeting. Also attending the meeting were Abdulahat Abdurixit, deputy secretary of the Xinjiang Uygur Autonomous Regional CPC Committee and chairman of the Xinjiang Uygur Autonomous Regional People's Government; Zhang Wenye and Zhou Shengtao, deputy secretaries of the Xinjiang Uygur Autonomous Regional CPC Committee; Li Fengzi, standing committee member of the Xinjiang Uygur Autonomous Regional CPC Committee; Zhang Yunchuan, standing committee member of the Xinjiang Uygur Autonomous Regional Committee and vice chairman of the Xinjiang Uygur Autonomous Regional People's Government; and persons in charge of relevant departments.

Meeting participants noted the CPC Central Committee's recent instructions on carrying out a nationwide "serious crackdown" drive. This drive is aimed at further maintaining social security and at enhancing the people's sense of security. It is part of the important steps to lay the foundation for a stable social environment for the smooth implementation of the Ninth Five-Year Plan For National Economic and Social Development and the Long-Term Targets For the Year 2010. The region's first battle in enforcing the central government's instructions on the "serious crackdown" has been successful. A number of criminal elements have been arrested and a number of cases involving criminal gangs which have seriously endangered social stability have been cracked, thereby dealing a direct and sharp blow to criminals' sabotage activities.

Meeting participants stressed the need to enhance leadership and to deepen the "serious crackdown" struggle by taking advantage of Xinjiang's special characteristics. Utmost importance in the current "serious crackdown" should be attached to violent and Mafia-type ter-

rorist incidents organized and directed by national splittist forces. All signs indicate that national splittists collude with violent criminal elements. Their reactionary arrogance has become more inflated. Their sabotage activities have become more savage. This has seriously threatened the safety of the people's lives and property and the social stability and the smooth progress of the modernization construction in Xinjiang. We should deal a most serious blow to those criminal elements who have jeopardized the state and society in the current "serious crackdown" struggle.

Meeting participants also stressed the need to fully mobilize the masses of all nationalities in Xinjiang in the current "serious crackdown" drive so that a tight net of justice spread jointly by the people and the public security officers will pin criminals down in the vast sea of the people's war. Cadres and the masses in every region, county, township, and village must not lower their guard, must conscientiously sum up the bloody lesson in struggle against enemies, must raise their vigilance, and must at all time observe every symptom and sign. It is necessary to raise the awareness among the masses on the necessity and importance of the "serious crackdown" struggle; to expose and condemn enemies' crimes; to quickly impose heavy punishment on enemies and on criminal elements; and to build up confidence through the "serious crackdown." It is also necessary to pool forces and to work closely so as to deal a sharp blow to the arrogance of those criminal elements who dare to swim against the tide and commit crimes in the current "serious crackdown."

Meeting participants also called on various levels of party and government leaders and on comrades in the public security and law enforcement front to always maintain high morale and high fighting spirit. Localities are urged to take the local situation into consideration, to work out detailed plans, to integrate the "serious crackdown" struggle with other specialized anticrime campaigns, to plunge into one battle after another, and to continue scoring even greater victories in the "serious crackdown" struggle.

**PRC: Results of Xinjiang Anticrime Raids Reported**  
**OW1305081596 Hong Kong AFP in English**  
**0700 GMT 13 May 96**

[FBIS Transcribed Text] Beijing, May 13 (AFP) — Chinese police in the often turbulent northwestern region of Xinjiang netted 1,700 suspected terrorists, separatists and criminals in the first six days of its anticrime purge, reports reaching Beijing on Monday (13 May) said.

The arrest binge, from April 25 to 30, uncovered 200 violent and mafia-like gangs, 1.1 tonnes of explosives, 92 guns and illicit money and goods valued at 7.7 million yuan (927,000 US dollars), according to Li Fengzi, the head of Xinjiang's Politics, Science and Law Commission.

Among the 1,400 criminal cases that came to light, 600 were major and serious cases, and 1,100 gang members were detained, Li told the XINJIANG DAILY.

An editorial carried in the same edition warned "some evil forces and a tiny minority of ethnic (Moslem) splittists" were working against the government in disrupting social order.

"They have disrupted public order, especially some evil gangs that engage in violent activities ... [ellipses as received] and the key issue now is how to continue the struggle," it said.

Xinjiang — the name translates as new frontier — is predominately Moslem and borders onto five Moslem states, including three in central Asia that gained their independence through the collapse of the Soviet Union.

In the past, sporadic uprisings against Beijing have been routinely silenced, except for a short period from 1944 to 1950, during the Chinese civil war, when the state of East Turkestan emerged in Xinjiang.

But the separatist movement has regained strength of late and an earlier XINJIANG DAILY editorial slammed the "revived dynamism" and "intensified infiltrative, splittist and subversive activities" of the independence seekers.

Although Beijing insists that the splittists are in a tiny minority, Moslem activists in exile in neighboring Kazakhstan say their supporters number more than a million and that 27 secret organisations are active in the Chinese territory.

"We must pay attention to the plottings of these gangs and attack them with a heavy blow as soon as they start their activities," Wang Lequan, the highest ranking official in Xinjiang, told the newspaper.

"We must launch a fatal attack on the splittist ethnic forces, without mercy," he added.

Last month, China signed a treaty with Russia, Tajikistan, Kazakhstan and Kyrgyzstan to demilitarize their mutual border. According to diplomats in Beijing, the deal was also aimed at encouraging China's neighbours to help crack down on Moslem separatists operating in exile.



**PRC: Xinjiang TV Commentary Urges Crackdown on Splittism**

*OW1605113496 Urumqi Xinjiang Television Network in Mandarin 1330 GMT 14 May 96*

[Urumqi Xinjiang Television commentary: "Firmly Occupy the Ideological and Cultural Position"; from the "Xinjiang News" program]

[FBIS Translated Text] If socialist ideology fails to occupy the ideological and cultural position, national splittists and illegal religious activists will surely exploit it. Therefore, we should never lower our guard on this point. Doing a good job of propaganda and ideological work is not only the task of propaganda departments and of those who are involved in propaganda work, it is also the task of the entire party, particularly the task of all levels of leading party organs. Only when all levels of leading bodies do a solid job of enhancing propaganda and education work among the masses of all nationalities and help forge a strong and effective ideological and political front, and only when they firmly occupy the ideological and cultural position, can Xinjiang expect to have a long reign of peace and prosperity.

It is necessary to step up the propaganda and education work among the people by utilizing all propaganda means and by exploring and adopting all effective ways to regularly and in a timely manner transmit party and state policies to the people, particularly to those farmers and herdsmen in remote and border areas; and to instill in the people correct thinking and views in an all-around manner. Effective measures need to be taken to step up building schools and cultural institutions in border areas. It is also necessary to bring more cultural activities to rural areas and to construct corridors of culture in border areas. Construction of radio and television networks needs to be accelerated. There is a need to increase the coverage rate of radio and television. Work on the publication and circulation of ethnic books should be enhanced. Steps need to be taken to constantly increase the number of subscribers to party papers and journals.

It is necessary to firmly occupy schools, which are the important positions for socialist ideology and culture. Concrete actions must be taken to enhance ideological and political work among young students so that they will genuinely become successors of the socialist cause. Efforts need to be stepped up to rectify order at schools. Religious activities are absolutely not allowed to infiltrate into ordinary schools, nor will anyone be allowed to instill national splittism ideology and religious creeds into students. Schools are prohibited from engaging in any form of religious activities. Teaching materials that advocate national splittism and pub-

licize religious creeds must be resolutely eliminated. It is necessary to conscientiously consolidate and cleanse the book and magazine market. A resolute check and ban must be imposed on various forms of publications that advocate national splittism ideology, fan up religious fanaticism, promote feudal superstitions, or contain pornographic contents. Books, journals, audio and visual products that distort history, undermine national unity, advocate splittism, or publicize illegal religious ideology must all be banned and confiscated. Religious books and propaganda materials that have been privately printed and circulated without the state's prior examination and approval will be banned and confiscated and legal responsibility will be sought against those relevant personnel.

**PRC: Xinjiang Religious Personalities Support 'Stability'**

*OW1605110196 Urumqi Xinjiang Television Network in Mandarin 1330 GMT 15 May 96*

[From the "Xinjiang News" program]

[FBIS Translated Text] On 14 May, the United Front Work Department of the CPC Committee of the Xinjiang Uygur Autonomous Region held a forum of some patriotic religious personalities of the Urumqi area. The forum was chaired by Qin Guoxue, deputy head of the United Front Work Department of the Regional CPC Committee.

The forum relayed the important directive of the central authorities on safeguarding the stability of Xinjiang and the guidelines of the work meeting of the regional CPC committee.

Seventeen of the religious personalities attending the meeting made speeches.

They expressed that the important directive of the central authorities on safeguarding the stability of Xinjiang explicitly points out the major danger adversely affecting the stability of Xinjiang at present is ethnic separatism and illegal religious activities. This entirely conforms with the reality of Xinjiang. Everybody should understand the extreme importance of safeguarding the stability of Xinjiang from the strategic high plane that the stability of Xinjiang has a bearing on the stability of the whole country and that the development of Xinjiang has a bearing on the development of the whole country.

They expressed that seeking stability is the cherished desire of the people of all nationalities in Xinjiang. We, personalities of religious circles, resolutely support the directive of the central authorities and must energetically cooperate with the government and administrative organs concerned, heed what the party says, oppose with

a clear-cut stand ethnic separatists who carry out separatist activities under the disguise of religion, and justly and forcefully boycott illegal religious activities. After the meeting, we must correctly publicize in good time among religious believers the important directive of the central authorities on safeguarding the stability of Xinjiang and the guidelines of the work meeting of the regional CPC committee, and educate them on persisting in carrying out normal religious activities and resolutely opposing ethnic separatism and illegal religious activities, put religious activities on the correct track of management according to law, and make contribution to the long-term stability and economic development of the autonomous region.

Religious personalities attending the meeting, including Armdula Damaola, Maihemuti Damaola, Maantai Ahung, Chen Shaoqing, Saliwa Living Buddha, Liena, and Ma Junjie, made speeches.

**PRC: Xinjiang Secretary on Development Plans**  
*OW1605042096 Beijing ZHONGGUO XINWEN SHE*  
*in English 0201 GMT 16 May 96*

[FBIS Transcribed Text] May 15 (CNS) — Wang Lequan, party secretary of Xinjiang Uygur Autonomous Region, said that with the approval of the State, Xinjiang would greatly develop basic infrastructure and set up a series of production bases at State level in the "Ninth Five-Year Plan".

Large projects in Xinjiang are going on smoothly. The second stage of the chemical fertilizer project of the Urumqi Petrochemical Plant will be completed by the

end of August; it will be the second largest chemical fertilizer plant in China. The fibre-optic cable project in the southern and northern part of Xinjiang will lead to improved telephone service. Other backbone projects include the fourth stage extension of Hongyanchi Power Plant, the second stage extension of Hami No. 2 Power Plant and the coal mine of Urumqi Iron Plant.

The extension project of Korla-Kashi Railway will start in the third quarter of this year. The railway is more than 970 kilometres long and will be completed in three years. The propane production facility with an annual output of 400,000 tonnes in the Dushanzi Petrochemical Plant has been under construction. Construction on two 300,000 tonne chemical fertilizer projects in Korla with a total investment of RMB [renminbi] 7 billion started last month.

At the same time, a RMB 1.4 billion alkane project with an annual output of 72,000 tonnes in the Dushanzi Petrochemical Plant has commenced. The preparation work of the acrylic fibre project in the Urumqi Petrochemical Plant with total investment of RMB 5 billion is underway.

To speed up the construction of grain, cotton and sugar bases at State level, besides a series of water saving projects in the southern part, Xinjiang is also planning to carry out many large projects. The water diversion works in the northern part of Xinjiang are under preparation. A number of water conservancy projects in Ili River valley have also started.



# **Taiwan: Officials Welcome U.S. Delegation to Li Inauguration**

*OW1605125596 (Internet) Taiwan Central News Agency WWW in English 1240 GMT 16 May 96*

[By Lillian Wu]

[FBIS Transcribed Text] Taipei, May 16 (CNA) — It is "quite appropriate" for Vernon Jordan, a prominent lawyer with close ties to President Bill Clinton and a good representative of the American people, to lead a U.S. delegation to the inauguration of ROC [Republic of China] President Li Teng-hui, a spokeswoman for the American Institute in Taiwan (AIT), Taipei office, said Thursday [16 May].

Jordan, a civil rights leader and the attorney who headed Clinton's transitional panel in 1992, will lead a delegation that will include Sen. Jay Rockefeller of West Virginia, Rep. Solomon Ortiz of Texas, and Rep. Jim McDermott of Washington.

The spokeswoman said that during his stay in Taiwan from May 18-21, Jordan will not meet with the press.

Ministry of Foreign Affairs officials said that they welcome the U.S. delegation headed by Jordan, adding that they are now arranging a meeting with President Li for Jordan and Sen. Rockefeller.

The ROC government had hoped that the US delegation would be led by a former president, vice president, or Cabinet member, but sources said that those who could make the trip and also be accepted by the ROC were difficult to find.

The AIT was established to handle exchanges with Taiwan after the U.S. switched its diplomatic recognition from Taiwan to Beijing in 1979.

# **Taiwan: Rehearsal for Presidential Inauguration Held**

*OW1605130596 (Internet) Taiwan Central News Agency WWW in English 1241 GMT 16 May 96*

[By Danielle Yang]

[FBIS Transcribed Text] Taoyuan, May 16 (CNA) — The government Thursday [16 May] held a rehearsal for the sixth ROC [Republic of China] presidential and vice presidential inauguration ceremony, scheduled to be held on May 20 at the Taoyuan Dome in northern Taiwan.

Presidential Deputy Secretary-General Raymond Tai officiated at the rehearsal, which followed the official inauguration timetable.

Tai inspected the progress of preparations, reviewed the military honor guard, and went through a rehearsal of the inauguration program.

The Presidential Office and related government agencies planned to hold a meeting after the rehearsal to review any defects in the program. Wu Poh-hsiung, secretary-general to the President, will officiate at a final rehearsal on Saturday.

Meanwhile, President Li Teng-hui will welcome nine heads of state from countries that maintain diplomatic relations with Taiwan with a military salute at the Chiang Kai-shek Memorial Hall on May 18 and May 19, the Presidential Office said.

On Saturday, Li will greet Swaziland King Mswati III, President Crispin Sorhaindo of the Commonwealth of Dominica, President Joao Bernardo Vieira of Guinea-Bissau, and President Lagumot Harris of Nauru.

Li will meet five more national leaders on Sunday — President Violeta Chamorro of Nicaragua, President Jose Maria Figueres of Costa Rica, Governor General Orville Alton Turnquest of the Bahamas, President Blaise Compaore of Burkina Faso, and President Alvaro Arzu of Guatemala.

The military salute will be open to public viewing so that the public can share in the honors with Li, the first popularly-elected President in the ROC on Taiwan, the office said.

Palau and Fiji, which have not formed official ties with the ROC, will also send ranking officials to Taipei to attend the inauguration, the Ministry of Foreign Affairs said. Palau will be represented by its President Kuniwo Nakamura, bringing the total number of foreign heads of state coming to Taipei to 10, the ministry said.

Among the 31 countries that maintain official ties with the ROC, 24 nations will send special missions made up of some 160 delegates, the ministry said.

Another 15 or 16 delegations from nations without diplomatic ties with Taipei will also attend the inauguration, bringing the total number of foreign guests to around 300, the ministry said.

# **Taiwan: Li: No New Initiatives on Beijing in Inaugural Speech**

*OW1705084896 (Internet) Taiwan Central News Agency WWW in English 0816 GMT 17 May 96*

[By Victor Lai and Sofia Wu]

[FBIS Transcribed Text] Tokyo, May 17 (CNA) — ROC [Republic of China] President Li Teng-hui said

Thursday [16 May] in an interview with a major Japanese daily that he couldn't unveil any new initiatives in Taiwan's policy toward Mainland China in his inaugural speech on May 20.

However, Li didn't rule out the possibility of unveiling new proposals or strategies for improving relations across the Taiwan Strait after a national affairs meeting is held in July or August to forge a national consensus on the issue.

In his one-hour-and-15-minute interview with Japan's **ASAHI SHIMBUN**, which appeared in the paper's frontpage on Friday, Li said Taiwan's policy toward Mainland China is coherent and consistent.

"We favor the step-by-step development of cross-strait relations," he explained, adding that it is unrealistic to expect his inaugural address to bring about a turnaround in stalled cross-strait ties.

Li said some progress may be seen in cross-strait relations after his inauguration as the first democratically elected national leader in China's 5,000-year history, but no big breakthrough is likely in the near future.

Speaking in fluent Japanese, Li said he will emphasize the importance of democracy and freedom for all of China — Taiwan and the mainland — in his much-anticipated inaugural speech. "Political reform must be done on both sides," Li said.

On cross-strait ties, Li reiterated his openness to the possibility of meeting mainland Chinese President Jiang Zemin in an international setting. Due to differences in the way of thinking and political system, Li said, it remains very difficult to hold a cross-strait summit at the moment.

Nevertheless, Li pointed out that both his six-point proposition and Jiang's eight-point proposal on cross-strait relations call for peaceful solution to bilateral disputes. "This is a basic consensus between our two sides," he noted.

Li, whose landmark visit to the United States last June outraged Beijing, said he still hopes to visit the US where he received his doctoral degree from the Ivy-league Cornell University.

Revealing that US House Speaker Newt Gingrich has invited him to visit America again, Li said he doesn't want to create trouble for the Clinton administration at the moment in an election year. "But my action will not be restricted if there is no problem for the host country to receive me," he said.

On the prospects of his visit to Japan next year to attend his alma mater Kyoto University's centennial celebrations, Li echoed Japanese opposition New Frontier Party

leader Ichiro Ozawa's view that he is entitled to make a private visit to Japan. However, he admitted that the Japanese Government might pressure Kyoto University not to issue an invitation to him.

Noting that he is familiar with Japanese affairs, Li regretted that Japan does not have full knowledge about Taiwan. Given geographical proximity, Li said, Japan should not lag behind the United States in personnel and cultural exchanges with Taiwan.

"High-level contact is needed to boost bilateral relations," Li said, adding he hopes Japan can upgrade communication levels with Taipei.

Li said he is not in a position to comment on recent reaffirmation by the US and Japan on their bilateral security agreement. But, he added he believes the move will contribute to regional peace and security in East Asia.

On Taiwan's security, Li said the ROC [Republic of China] must replace its aging warships and military planes with more advanced models in order to beef up its defense capabilities. "How to break a possible blockade by the enemy will be the focus of our defense strategy," he added.

**ASAHI SHIMBUN** sent a five-member team to interview President Li, who won the mandate for a second four-year term in Taiwan's first-ever direct presidential election on March 23 amid Mainland China's missile firing and live-ammunition war games.

**Taiwan: MAC Dampens Expectations on Li's 20 May Speech**

*OW1705092196 (Internet) Taiwan Central News Agency WWW in English 0910 GMT 17 May 96*

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, May 17 (CNA) — It is impractical to hope that President Li Teng-hui will have new initiatives to improve cross-Taiwan Strait relations in his inaugural speech next week, the head of a government agency in charge of mainland policy said Friday [17 May].

Mainland Affairs Council Chairman Chang King-yuh was trying to damp high expectations on Li's speech Monday to jump start cross-strait dialogue which had been stalled since President Li visited the United States last June.

Noting that Mainland China has unilaterally disrupted regular dialogue between the two sides of the Taiwan Strait and has conducted a series of intimidating military



exercises since the second half of last year, Chang said that Beijing is to blame for the stalled relations.

He said that issue of the cross-strait relations lies in the hegemonic mentality of Beijing and its refusal to recognize the existence of the Republic of China [ROC] on Taiwan.

Chang pointed out that since 1949, Taiwan and the mainland have been ruled by two governments and Beijing has never exercised its jurisdiction over Taiwan. He urged Beijing to face the fact squarely.

He said that cross-strait exchanges on all sides will help understanding on both sides, adding that civilian exchanges have increased briskly since the government lifted the ban to travel to the mainland eight years ago.

Increased exchanges will help create conditions conducive to the unification of China. But he said the unification of China will only be achieved when people in the Mainland China enjoy "democracy, freedom and social equality" as their compatriots in Taiwan, he added.

Chang said that president Li will try to listen to opinions from all sides to reach a national consensus, set a priority to end hostility across the Taiwan Strait, study the possibility of signing peace agreement to open a new era of peace.

#### **Taiwan: Taipei 'Mum' on Looming Washington-Beijing Trade War**

*OW1605122496 (Internet) Taiwan Central News Agency WWW in English 1152 GMT 16 May 96*

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, May 16 (CNA) — The ROC [Republic of China] government on Thursday [16 May] kept mum on a looming Beijing-Washington trade battle over copyright piracy.

"It is our established policy not to comment on any events between the United States and Mainland China," said David Li, director of the North American Affairs Department of the Ministry of Foreign Affairs.

Li said, however, that the ROC government is concerned about the possible impact of a Beijing-Washington trade war on Taiwan-invested companies on the mainland.

"Our trade and economics agencies are evaluating possible impacts and will give some suggestions to those with business interests on the mainland," he added.

Meanwhile, Fu Tung-cheng, director of the Economic Affairs Department under the Mainland Affairs Council, said Taiwan does not want to see Beijing-Washington trade frictions damage either Taiwan investors' rights or world trade in general.

He urged Beijing and Washington to continue intensive negotiations to mend their differences and avert an ominous trade war.

The U.S., having accused Beijing of failing to implement the bilateral accord on intellectual property rights protection reached in 1995, unveiled on Wednesday a US\$3 billion preliminary list of mainland imports targeted for punitive import duties. It threatened to start collecting "prohibitive tariffs" on about US\$2 billion in products drawn from the preliminary list on June 17 unless the trade row is resolved.

According to government tallies, there are currently more than 13,000 Taiwan-funded companies in Mainland China, mostly in labor-intensive industries.

Judging from the preliminary list, local trade officials said, less than 20 percent of Taiwan-owned companies on the mainland would be affected by possible U.S. trade sanctions.

An official with the Board of Foreign Trade (BOFT) said consumer electronics manufacturers would be the hardest hit if the U.S. trade sanctions take effect. Textile makers would only be slightly affected because their customers are concentrated in Europe and Japan.

The official said the BOFT will encourage cross-strait investors to ship semi-finished goods back to Taiwan for processing and export to avoid any impact from frequent eruptions of Beijing-Washington trade friction. Starting this July, Taiwan will open its door wider to semi-finished goods from the mainland.

"Local entrepreneurs with investments on the mainland should also diversify their production bases and export outlets in order to maintain their markets," he added.

#### **Taiwan: U.S.-Mainland Trade War To Hurt Taiwan Investors**

*OW1605140496 (Internet) Taiwan Central News Agency WWW in English 1351 GMT 16 May 96*

[By Flor Wang]

[FBIS Transcribed Text] Taipei, May 16 (CNA) — A looming trade war between Mainland China and the United States could cause mainland-based Taiwan investors to lose US\$600 million, the Board of Foreign Trade (BOFT) said on Thursday [16 May].

Taiwan's mainland-based garment and consumer electronics manufacturers that focus their exports on the U.S. market would be hit the hardest by the impending trade war, the BOFT said. Some 70 percent of their production goes to the American market.

The Clinton administration announced a sanction list on Monday that would impose 100 percent "prohibitive tariffs" on about US\$3 billion worth of products of mainland origin, mainly clothing and electronics goods, if the trade row is not resolved by June 17.

Washington drew up the sanctions list after citing mainland China's failure to enforce a 1995 agreement to crack down on piracy of U.S. intellectual products.

In a bid to reduce the impact of the possible sanctions, the BOFT urged Taiwan investors on the mainland to expedite their market diversification efforts, and called on those businesses planning to invest in the mainland to take into consideration uncertainties in U.S.-Mainland China relations when assessing investment risks.

**Taiwan: Lien: Cross-Strait Issue 'Disputed Sovereignty Problem'**

OW1705092996 (Internet) Taiwan Central News Agency WWW in English 0910 GMT 17 May 96

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, May 17 (CNA) — The critical issue between the two sides of the Taiwan Strait is neither a military problem nor a problem of nationalism, but essentially a problem of disputed sovereignty, Premier Lien Chan said Friday [17 May].

Lien said in a written message to the opening of a two-day international seminar on cross-strait relations that conventional international law cannot offer any effective explanation for the current cross-strait situation because the division of China today is a unique phenomenon.

Looking at the problem from the point of view of the integrity of national sovereignty, Lien said, both sides assert that there is only one China.

If the question were to be left at that, rather than one side claiming to monopolize Chinese sovereignty or to represent the whole of China, then there would be a basic consensus.

"And the two sides would be able to conduct smooth and peaceful exchanges, strive for development, and pursue national unification in a democratic fashion," Lien noted.

Regrettably, Lien said, Beijing still clings to its erroneous and high-handed ideas. "It attempts to monopolize Chinese sovereignty, claiming that it represents the whole of China in the international arena and completely ignoring the existence of the Republic of China."

Lien urged scholars and experts attending the seminar to offer their views and opinions on such important subjects as sovereignty, divided nations and cross-

strait issues. "I look to you to offer your opinions to help people around the world better understand the relationship between Taiwan and the mainland and facilitate cross-strait rapprochement."

The seminar was jointly organized by the Taipei-based Vanguard Institute and the Atlantic Council of the United States.

**Taiwan: Taipei Mayor Offers To Help Break Cross-Strait Impasse**

OW1705094396 (Internet) Taiwan Central News Agency WWW in English 0910 GMT 17 May 96

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, May 17 (CNA) — Taipei Mayor Chen Shui-bian said Friday [17 May] that he would be available anytime for a trip to Beijing in his mayoral capacity to promote ties with Mainland China if asked.

Chen said it is the responsibility of officials at all levels to contribute their wisdom and efforts to help break the stalemate across the Taiwan Strait.

In the first seminar on Mainland China affairs the Taipei city government called since he assumed the post more than one year ago, Chen reiterated his policy of promoting interchanges between Taipei and cities in Mainland China under a "city diplomacy."

He encouraged city government officials to take the initiative in visiting Mainland China, which will inspire more similar activities so as to help improve the cross-strait relations.

Chen suggested that the two sides follow the "East-West Germany" formula of forging a "basic treaty" for normal relations across the Taiwan Strait.

Chen stressed that politics should be treated separately from economics when dealing with the cross-strait issue.

Politically, he said, Mainland China is a hungry hen which can hardly wait to swallow Taiwan, a tiny grain of rice. Economically, Taiwan is an egg, which needs the hatching of the huge mainland market to grow into a chicken.

Chen, a legislator-turned-mayor from the opposition Democratic Progressive Party, confirmed the government's efforts to seek higher profile for Taiwan in the international community. Chen stressed that Taiwan should continue these efforts so as to "internationalize the Taiwan issue."

He said Taiwan should let the rest of the world know that it is not part of the People's Republic of



China. Taiwan should also continue to acquire advanced weaponry to beef up its defense, and continue to follow pragmatic diplomacy as well, he added.

**Taiwan: Taipei Possesses Conditions To Become Business Hub**

OW1705085296 (Internet) Taiwan Central News Agency WWW in English 0816 GMT 17 May 96

[By David Wang and Danielle]

[FBIS Transcribed Text] New York, May 16 (CNA) — Taiwan possesses all the conditions to become an Asia-Pacific operations center, Hsueh Chi, vice chairman of the Council for Economic Planning and Development (CEPD), said Thursday [16 May].

Hsueh, one of the designers of the Asia-Pacific business hub plan, made the remarks at a forum attended by some 60 ROC [Republic of China] representatives stationed in the US and Canada.

Hsueh said the plan consists of six centers in manufacturing, shipping, aviation, finance, telecommunications, and media aimed at further liberalizing and globalizing the economy.

He said Taiwan's economic achievement in the past four decades has made it a major investor country in East Asia, next only to Japan. Trade and investment are the driving force of economic development, he pointed out.

In East Asia last year, Taiwan was the leading foreign investor in Vietnam, the second largest foreign investor for Malaysia, the third largest investor for the Philippines, the fourth largest for Thailand, the seventh largest for Indonesia, and the 13th largest one for Singapore, he noted.

Asked whether the strained cross-strait ties will affect Taiwan's Asia-Pacific operations hub plan, Hsueh answered that there are ups and downs in cross-strait ties. The pendulum of cross-strait relations will swing upward from the present lowest point.

Hsueh, who will conclude his three-month trip in the United States on Friday, has exchanged views with executives of seven banks on Taiwan's bid to develop itself into an Asia-Pacific operations center. They included Chase Manhattan Bank, Citibank, and Morgan Stanley Capital International.

**Taiwan: Taipei 'Woos' Pro-Beijing Hong Kong Leaders**

OW1605150196 (Internet) Taiwan Central News Agency WWW in English 1445 GMT 16 May 96

[By Maubo Chang]

[FBIS Transcribed Text] Taipei, May 16 (CNA) — With Hong Kong's reversion to Beijing rule next year, Taiwan is stepping up its efforts to woo the support of future Hong Kong leaders who maintain friendly relations with Beijing.

In order to ensure that its existing agencies can stay in Hong Kong and keep their relationships with the British colony intact after Beijing's take-over, Taiwan is trying to contact those Hong Kong leaders who are on good terms with Beijing, and at the same time realistic about the disputes between Taiwan and Mainland China. Such leaders include members of Beijing's Preparatory Committee for the Hong Kong Special Administration Region, according to officials with Taiwan's Mainland Affairs Council (MAC).

The officials said that more than 10 members of the Preparatory Committee have already visited Taiwan.

Officials also confirmed that Chang King-yuh, chairman of the MAC, met Thursday [16 May] with Yang Sun-hsi, a member of both the Hong Kong Preparatory Committee and Beijing's Chinese People's Political Consultative Conference.

Chang is said to have told Yang about Taiwan's policy on improving ties with Hong Kong after 1997, while Yang reportedly urged Taiwan to open its markets further to mainland products.

With the clock ticking closer to 1997, Taiwan is actively working to retain its representative office in Hong Kong as a foothold for its future presence there.

**Taiwan: Lafayette-Class Frigate From France To Arrive 20 May**

OW1605145196 (Internet) Taiwan Central News Agency WWW in English 1444 GMT 16 May 96

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, May 16 (CNA) — The first of the six Lafayette-class guided-missile frigates that the ROC [Republic of China] Navy ordered from France in 1991 is scheduled to arrive at the southern naval base of Tsoying on Monday, Navy Headquarters said on Thursday [16 May].

The Navy said the frigate, christened the "Kang Ting," cruised into waters near Taiwan after a voyage of more

than a month. The unarmed vessel departed from France on March 29.

The 3,500-ton frigate will be formally commissioned into the Navy after a ceremony on May 24, which will be presided over by Adm. Ku Chung-lien, commander-in-chief of the Navy.

"Lawmakers and guests from Taiwan and France will be invited to the ceremony," an unnamed naval officer said.

The frigate will eventually be equipped with the Phalanx weapons system, Standard surface-to-air missiles, Hsiungfeng anti-ship missiles, and an anti-submarine helicopter.

The installation of the weapons systems will be completed by the Navy and the military-run Chungshan Institute for Science and Technology.

Taiwan and France agreed on the arms sale in 1991, but the deal has never been announced publicly. The contract's value is placed at around NT (New Taiwan) \$85 billion (US\$3.13 billion).

The purchase is part of Taiwan's efforts to modernize its aging naval fleet, which is composed mainly of 24 destroyers and six frigates built around World War II. In addition to leasing six Knox-class frigates from the United States, Taiwan will also have seven Perry-class frigates by the end of 1998.

**Taiwan: AEAR Appointment to Japan Approved**  
*OW1605143496 (Internet) Taiwan Central News Agency WWW in English 1351 GMT 16 May 96*

[By Flor Wang]

[FBIS Transcribed Text] Taipei, May 16 (CNA) — The Republic of China [ROC]'s Association of East Asian Relations (AEAR) approved on Thursday [16 May] the appointment of Chuang Ming-yao as the next ROC representative to Japan.

Chuang, formerly a commander-in-chief of the Navy, is expected to take over the post from the incumbent representative, Lin Chin-ching, by June.

Chuang told a press conference that the approval of his appointment is a "great honor," and that he will do his best to promote substantive ties between the two countries.

The AEAR is a semi-official organization authorized by the ROC government to handle exchanges with the Japanese Government in the absence of formal diplomatic relations between the two sides.

**Taiwan: Businessman on Future of Asia in Japan**  
*OW1605134296 (Internet) Taiwan Central News Agency WWW in English 1045 GMT 16 May 96*

[By Sofia Wu]

[FBIS Transcribed Text] Tokyo, May 16 (CNA) — A Taiwan business tycoon Thursday [16 May] urged mainland Chinese leaders to tackle problems between the two sides of the Taiwan Strait with prudence and farsightedness.

Jeffrey Ku, chairman of the Taipei-based Chinese National Association of Industry and Commerce, made the call while addressing a two-day seminar on the future of Asia sponsored by the Japanese daily NIHON KEIZAI SHIMBUN in observance of its 120th anniversary.

Ku, the only honored guest from Taiwan to the seminar, said the principal bottleneck in the cross-strait relations is that Beijing keeps on relegating Taiwan to the position of a province, ignoring the stark truth that the Republic of China (ROC) came into being almost half a century earlier than the People's Republic of China (PRC), and has always been in existence ever since.

"After the Second World War, Taiwan was receded to the ROC, not to the PRC — a historical fact that cannot be denied," Ku stressed, adding, "In the 1950's, the U.S. government suggested to our late President Chiang Kai-shek that we should be more realistic by recognizing the existence of two China's, but President Chiang always refused a two-China concept, believing unwaveringly that the ROC would one day go back to the mainland."

Noting that the ROC's ultimate aim is a reunified China, Ku said the ROC, as a viable, separate political entity, should also have the right to seek international recognition and to strive for dimensions for its survival.

Like the erstwhile East Germany and West Germany, Ku said, Mainland China and Taiwan are two separate political entities. "Each has the right to follow its own political ideals, pursue its own economic well-being, and make its own international friends," he asserted.

Ku further said reunification is impractical for the time being, nor is it something that can be coerced by military intimidation. "Reunification will take place only when Mainland China's per capita income comes close to Taiwan's and its political system is more democratic."

Beijing has set preconditions for resumption of regular cross-strait dialogue it suspended last July, including that Taiwan must forgo its bid for UN membership, suspend activities to win more diplomatic recognition, and renounce its own statehood.



"This is a pill we cannot swallow," Ku said categorically. "If we swallow it, it will be the same as committing suicide."

It is an official U.S. position that cross-strait problems should be peacefully settled by mainlanders and Taiwanese themselves. "The recent tension in the Strait proves that the U.S. policy is merely wishful thinking," Ku noted.

At the critical moment, Ku said, both the U.S. and Japan realized that Taiwan Strait affairs was not just an internal Chinese problem. If a war should break out in the strait, the sea lane in the West Pacific would be cut, foreign investment and business establishments would suffer great losses, and a catastrophic dislocation of the world economy would be unavoidable. "Eventually, the cross-strait relations will be an international issue," Ku said.

In recent years, Ku said, the ROC has made big strides toward democracy. "Our president, governor, legislators, and council members of local government have all been popularly elected."

The fact that Taiwan now has the first popularly elected president in the 5,000-year history of China is of great significance to all Chinese, Ku said, adding that the coincidental military maneuvers of the PRC in the Taiwan Strait in the run-up to the historic election attracted 600 foreign correspondents to Taiwan. "Ironically, the crisis enabled Taiwan to receive a bonanza of unexpected publicity."

After his landslide victory in the election, Ku said, ROC President Li Teng-hui has stated that he will make a historic effort to reach a peaceful accord with the PRC.

"While we'll not give up pursuit for our own survival, our sincerity and good will for a step-by-step, peaceful reunification is unquestionable only if the PRC, as big brother, would extend their hand to us for reconciliation," Ku said.

As the world has so developed, Ku said, without a strong economic backup, a country with military might alone can never get anywhere. The disintegration of the USSR is a good lesson to learn, he noted.

"So, I hope Mainland China will divert a great part of military expenditures to economic development," Ku urged, adding that even if Mainland China should surpass the U.S. in military might, it would not mean that it could dominate the whole world and could solve its existing domestic problems.

On cross-strait relations, Ku said there is no reason why Mainland China and Taiwan cannot co-exist, help each other, and live in co-prosperity since the people on both

sides are of the same blood, same culture and same language. "I think Mainland China can learn a great deal from the Taiwan experience."

In conclusion, Ku said, a prosperous, democratic, modern China willing to contribute toward world peace and to assume due responsibilities in the international community is what the whole world would like to see and to live with.

Many Asia-Pacific leaders, including Philippine President Fidel Ramos, Malaysia Prime Minister Datuk Seri Dr. Mahathir Mohamad, Singapore Deputy Prime Minister Li Hsien Loong and U.S. Assistant Secretary of State Winston Lord, are attending the two-day seminar, which began Thursday.

#### **Taiwan: Minister: Indonesia 'Most Important' Trade Link**

*OW1705034896 Taipei Voice of Free China in English 0200 GMT 16 May 96*

[FBIS Transcribed Text] The Economics Minister said that Indonesia is the most important trading partner of the ROC [Republic of China] among Southeast Asian countries and is also the most friendly one.

Speaking on the occasion of the opening of the Taiwan Trade Center in Jakarta on Monday [13 May] night, the minister pointed out that there are plenty of business opportunities between the two countries. Last year the ROC imported from Indonesia more than 6 million tonnes of coal, that is about 22 percent of the ROC's total import. The ROC also imported from Indonesia 2 million tonnes of liquefied natural gas, or about 84 percent of the ROC's total import of that commodity.

The Economics Minister said: "We also imported in the past years more than 19 million barrels of oil from Indonesia, representing more than 11 percent of our total needs." The minister noted that last year the ROC exported more than \$1.8 billion worth of goods to Indonesia.

The opening ceremony was held at the Jakarta Grand Hyatt Hotel and was presided over by the secretary general of the China External Trade Development Council.

#### **Taiwan: China Airlines Buys Eight Boeing 747-400's**

*OW1605130696 (Internet) Taiwan Central News Agency WWW in English 1240 GMT 16 May 96*

[By Danielle Yang]

[FBIS Transcribed Text] Taipei, May 16 (CNA) — China Airlines (CAL) signed a contract with U.S.-

based Boeing Company to buy eight Boeing 747-400 passenger planes, a CAL spokesman said Thursday [16 May].

Four of the planes will be delivered to CAL between May and December of 1997 and another four will arrive between 1998 and 2002, the spokesman noted.

After the new aircraft join the CAL fleet, CAL will operate 16 Boeing 747-400's plus 15 Boeing 737-800's, which will boost CAL's transport capacity significantly. The 747-400 is the Boeing passenger plane with the farthest flight distance and a passenger load ranging between 411 and 569 people.

CAL will use the Boeing 747-400 on its routes to the United States and Europe, as well as regional flights, the spokesman said.

Domestic airlines such as EVA Airways and Far East Air Transport Corp. are planning to use Boeing airplanes for the bulk of their fleets as well. EVA Airways currently has 12 Boeing 747-400's and is planning to introduce eight Boeing 777's in the future.

**Taiwan: KMT Halts Investment Projects in Australia**

OW1605143696 (Internet) Taiwan Central News Agency WWW in English 1418 GMT 16 May 96

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, May 16 (CNA) — The Kuomintang [KMT] has decided to suspend its joint investment plans in Australia after reports of the costly projects were leaked to the press, a senior KMT business official said on Thursday [16 May].

"The Australian government has filed a protest (to the KMT) over the premature exposure of the investment projects," said Yang Tsung-che, chairman of the Central Investment Holding Co.

Local newspapers reported earlier this week that the KMT plans to invest in a railway construction project in northern Australia that could run as high as US\$5 billion, and that the KMT also intends to purchase 10,000 square kilometers of land there for several agricultural, fishery, and mining development projects.

Yang called the reports "exaggerated," saying the railway development project is estimated to cost US\$800 million. Under the draft proposal, the KMT would invest up to US\$300 million, while its Australian partner would contribute US\$160 million.

Yang clarified that the KMT has only displayed an interest in the projects, and has yet to make any final

decisions. Still, he said, the projects will be halted for the time being.

The fact-finding mission, originally scheduled for next month, will be postponed for at least 50 days, Yang said.

Yang said he has not yet reported to Liu Tai-ying, chairman of the KMT Business Management Committee, on the latest developments of the investment projects.

In explanation of Yang's low-profile statement, sources said the Australian government favors Taiwan as an investment partner, although it previously signed a memorandum of understanding (MOU) with South Korea's Daewoo Group. The MOU will not expire for 50 days.

The Central Investment Holding Co., one of the key investment arms under the Kuomintang party, has invested in 57 companies, the sources noted.

**Taiwan: Australia Welcomes Steel Company's Investment**

OW1705080796 (Internet) Taiwan Central News Agency WWW in English 0718 GMT 17 May 96

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, May 17 (CNA) — The Australian government welcomes an investment project by Taiwan's An Feng Steel Co. to build a steel mill in western Australia, sources from the Queensland Trade & Investment Office (QTIO) said Friday [17 May].

An Feng, a Kaohsiung-based company, will sign an A [Australian] \$1.3 billion contract with Australia's Kingstream Resources Corp. in Perth on Friday for a joint-venture operation, according to QTIO officials.

The steel mill, to be located in Geraldton, western Australia, will have a production capacity of 2.4 million metric tons of steel annually when it is completed.

The An Feng investment, so far the largest single investment from Taiwan in Australia, is expected to create more than 2,000 job opportunities for Down Under, the officials noted.

**Taiwan: Ministry on Postponed South African Official Visit**

OW1605124196 Taipei Broadcasting Corporation of China News Network in Mandarin 2300 GMT 14 May 96

[From the "Hookup" program]

[FBIS Translated Text] The visit to Beijing of South Africa's Foreign Minister Nzo has caused great attention to the diplomatic relations between our country and



South Africa. Foreign Minister Nzo afterwards postponed his scheduled visit to Taiwan. To this, the Ministry of Foreign Affairs of our country said that the reason Nzo postponed his visit to China is very simple: He is busy with his official work and cannot find time to come. China and South Africa are still negotiating an appropriate time. Please listen to a report by Hsu Hsiao-ming.

[Begin recording] [Hsu] A news bulletin issued on 14 May by the South African embassy pointed out that South African Foreign Minister Nzo was originally scheduled to visit China; and, at present, South Africa has decided to postpone the plan. As to the time of the postponed visit, the South African embassy indicated that the Chinese and the South Africa sides are negotiating further, and the exact time has not yet been finalized. Regarding the reason for the postponement of Nzo's visit to China, the news bulletin issued by the South African embassy said that the Foreign Ministry of South Africa did not give any explanation. However, Mr. (Yang Ching-tien), director of the African Affairs Department of our Ministry of Foreign Affairs, said that the postponement of Nzo's visit to China is purely because he is too busy with his official work to find time for the visit.

[Yang] We found out today that Foreign Minister Nzo has a very tight schedule, and it is impossible for him to find time to visit China in June. Therefore, this is very simple: In June, he cannot find time for the visit and has postponed it. The two sides are holding further negotiation on the exact time of the visit.

[Hsu] (Yang Ching-tien) said that our side and the South African side have been negotiating the time for Nzo's visit to China. June was originally put forward for the visit because we expected by that time that various important domestic affairs, including the president taking office, the reorganization of the cabinet, and the examination of the budget of the central government, will more or less be over. However, this was only an anticipated date. Although the South African side made an effort in this regard, the anticipated date was not finalized. Therefore, it is not strange that at present Nzo cannot come in June.

This has been a report by Hsu Hsiao-ming of the Broadcasting Corporation of China at the Ministry of Foreign Affairs. [end recording] UNCLAS IV

#### Taiwan: Official's Comments on Cultural Exchanges

OW1605120396 Taipei TZU-LI WAN-PAO in Chinese  
9 May 96 p 2

[FBIS Translated Text] Yin Chih-liang [Yin Zhiliang], director of the Department of Hong Kong, Macao, and Taiwan Affairs under the mainland's Ministry of Culture, today said it was a misunderstanding of the media here, which called him the "last Chinese Communist official to visit Taiwan before 20 May." He indicated that no matter how the cross-strait situation turns out, cultural exchanges between two sides of the strait will not be cut off. He said frankly, however, that as long as reunification is not achieved between the two sides, it is unlikely to conduct official cultural exchanges.

Yin Chih-liang, who came to Taiwan with the "Kansu [Gansu] Provincial Peking Opera Troupe," said: There are uncertain factors in cross-strait exchanges, but cultural exchanges are a very important part in exchanges, because they are acknowledged by people on both sides. Chinese culture can be carried forward through exchanges. As long as the applications for exchanges follow the regular procedures, there is no reason not to approve them. In the meantime, Yin Chih-liang noted three conditions for cross-strait cultural exchanges: 1. they must be conducted through non-governmental channels; 2. the purpose of the exchanges must be to display Chinese culture; and 3. the exchanges cannot touch on sensitive cross-strait issues. He said: Before reunification is achieved, it is impossible for both sides of the strait to conduct official cultural exchanges. On the other hand, there would be more room for the development of cross-strait cultural exchanges if the "one China" principle is resumed.

Yin Chih-liang also stressed: Cross-strait exchanges depend on the change in the overall environment. To create a suitable environment, both sides should refrain from attempting to change the viewpoints upheld by their counterparts. In view of the fact that Li Ching-ping, deputy secretary general of the Strait Exchange Foundation (SEF), could not attend the opening ceremony for the exhibition of the "collection of Hung Hsi cultural relics" in Peking [Beijing], Yin Chih-liang explained: The SEF and the Association for Relations Across the Taiwan Strait [ARATS] have reached a tacit agreement that they will actively inform the other side if it wishes to participate in the activities of that side. ARATS, however, has not received any notice from the SEF. Therefore, it is not the case that Li Ching-ping has been rejected at all.

### Hong Kong

#### Hong Kong: Government Official on U.S. Sanctions Against PRC

OW1605153396 Beijing XINHUA in English  
1431 GMT 16 May 96

[FBIS Transcribed Text] Hong Kong, May 16 (XINHUA) — A senior Hong Kong Government official today urged the United States and China to resolve their differences through dialogue.

Denise Yue, secretary for Trade and Industry, was reacting to the US trade representative's 3 billion US dollar retaliation list published on Wednesday.

She said that since China and the US are Hong Kong's two major trade partners, the Hong Kong government is naturally concerned with any possible US Special 301 trade action against Chinese products.

She said, "We would be very concerned with any adverse effect such measures might have on Hong Kong's economy."

She stressed that Hong Kong does not support the use of sanctions.

"However, we shall make an assessment of the possible impact on Hong Kong of the proposed US action against Chinese products," she said.

She said that Hong Kong shall convey the results to the US and Chinese governments, emphasizing the hope that Hong Kong's interests would be taken into account in any decisions they may take.

#### Hong Kong: Warnings of Trade War Threat to Jobs

HK1705082796 Hong Kong SOUTH CHINA MORNING POST in English 17 May 96 p 1

[By David Ibbison]

[PTS Transcribed Text for FBIS] Thousands of jobs are at risk and the economic health of the territory will be undermined if the current impasse between the US and China becomes a full-scale trade war, businessmen and politicians warned yesterday.

As the breakdown intensified, Trade Secretary Denise Yue Chung-yeo admitted the Government was virtually powerless to do anything to protect the territory against any economic fallout.

"We are an interested party but a party that does not have a seat at the negotiating table, so there is very little the Hong Kong Government can do," she said.

"If the hit lists are implemented it would have a negative impact on GDP growth, reduce Hong Kong's position as a trading entrepot and affect job opportunities."

The sanctions announced by China and the United States on Wednesday will come into effect on June 17.

Economists and politicians estimate a trade war could knock one per cent off GDP growth, currently running at about five per cent a year. They also estimate minimum job losses of 10,000 if the trade war goes on.

Local businesses spent yesterday assessing the possible impact of what they said would be a "disaster" if the situation escalated.

Willy Lin, chairman of the Hong Kong Exporters' Association, pointed out that local companies were heavily exposed to products targeted by the US, such as textiles and electronics.

"We are like the innocent bystanders hit by a runaway car," he said.

Henry Tang Ying-yen, chairman of the Federation of Hong Kong Industries, said he may send a delegation to the US to lobby for an early end to the standoff.

The Government plans to send the Chinese and American authorities a report on the economic effects of sanctions on Hong Kong within the next few days.

"We will use every opportunity to state Hong Kong's position, which is that we are against the use of sanctions," said Ms Yue.

Local financiers played down the possibility of an escalation and urged investors to remember previous tussles had ended amicably.

Jake van de Kamp, chief economist at stockbroker HG Asia, said: "Are we supposed to believe that they were just kidding last year but this year they really mean it?"

The stock market shrugged the threats off yesterday shuffling down 30 points, or 0.28 percent lower, to close at 10,833 points.

But businessmen warned against being complacent.

They argued a combination of recent tension between the US and China over Taiwan, the row over the sale of nuclear parts to Pakistan, alleged human rights abuses and the perennial MFN [most-favored-nation] debate reduced the chances of reaching a negotiated settlement.



**Hong Kong: SAR Preparatory Committee's Meeting in Beijing**

OW1705033096 Beijing ZHONGGUO XINWEN SHE in English 1343 GMT 16 May 96

[FBIS Transcribed Text] May 16 (CNS) — The second meeting by the legal sub-group of the Hong Kong Special Administrative Region (SAR) Preparatory Committee was held in Beijing yesterday. The meeting discussed the proposal suggested by a PC legal ad hoc team for the application of Hong Kong's existing laws to the SAR. PC Members agreed with opinion expressed by the team that there were just a handful of the territory's laws to go against the Basic Law while most of the laws could be maintained for the SAR. According to the Basic Law, documents, certificates, contracts and rights as well as obligations, all of which are valid under Hong Kong's current legal system, will remain valid and will be recognized as well as protected in the SAR, provided that they do not contravene the Basic Law.

PC members came to a consensus that the legal sub-group would follow some rules in further studying Hong Kong's existing laws.

First, they have to strictly abide by relevant regulations stated in the Basic Law. According to the Article 8 of the Basic Law, the laws previously in force in Hong Kong, that is, the common law, rules of equity, ordinances, subordinate legislation and customary law shall be maintained, except for any that contravene this law, and subject to any amendment by the legislature of the Hong Kong SAR. The Article 160 states that on the establishment of the Hong Kong SAR, the laws previously in force in Hong Kong shall be adopted as laws of the Region except for those which the Standing Committee of the National People's Congress declares to be in contravention of the Basic Law. If any laws are later discovered to be in contravention of the Basic Law, they shall be amended or cease to have force in accordance with the procedure as prescribed by the Basic Law. These two articles are regarded as legal evidence in dealing with Hong Kong's existing laws.

Second, the continuity of Hong Kong's laws has to be maintained. The territory's laws have to be ensured to remain valid on the establishment of the SAR, which are regarded as an important point in realizing a smooth transition and are also the main concern expressed by Hong Kong people and sources from the legal sector in particular. The legal sub-group highly values influences resulting from Hong Kong's legal system on society. The examination of Hong Kong's current laws will be carried out based on the principle that the territory's laws and its legal system will basically remain unchanged.

Third, as for a handful of current laws which are regarded as going against the Basic Law, the legal sub-group will further study and then express its reasonable and legal opinion for the handling of such laws.

PC members also deliberated the next arrangement for the legal sub-group. The next meeting of the sub-group will discuss the legal matter of the right of abode enjoyed by residents of the Hong Kong SAR. The discussion will be held based on the elaboration approved by the Standing Committee of NPC on the enforcement of the Chinese nationality law in Hong Kong, the Article 24 of the Basic Law and proposals suggested by the PC social and security sub-group.

**Hong Kong: Jiang To Meet Preparatory Committee in Zhuhai**

HK1705053096 Hong Kong WEN WEI PO in Chinese 17 May 96 p A2

[Dispatch: "Preparatory Committee To Hold Plenary Session in Zhuhai in Late May, Jiang Zemin To Meet All Committee Members"]

[PTS Translated Text for FBIS] Beijing, 16 May (WEN WEI PO)— Jiang Zemin, CPC Central Committee general secretary and state president, will meet with all Preparatory Committee members attending the Third Plenary Session of the Preparatory Committee of the Hong Kong Special Administrative Region in Zhuhai in the last 10 days of this month.

Jiang will wind up his visit to Africa and return home on 22 May. After returning home, he will meet with the visiting British Deputy Prime Minister Michael Heseltine in Zhuhai. When the Preparatory Committee holds its third plenary session in Zhuhai on 24-25 May, Jiang will meet with all Preparatory Committee members.

**Hong Kong: Editorial Views 'Harsh Reality' of Piracy Problem**

HK1705082696 Hong Kong EASTERN EXPRESS in English 17 May 96 p 18

[Editorial: "Sanctions Will Not Defeat Piracy"]

[PTS Transcribed Text for FBIS] Between the grievances of the United States, and the outraged protests of China, lies the harsh reality of a piracy problem which will take decades to be resolved.

Despite the strong belief that once again, the row will fizzle out in talk and trade sanctions will be avoided, this could turn out to be the year when the US decides on action, not words.

It is not merely the annual intake of breath in Hong Kong's commercial sector which makes this affair so nerve-racking; it is the enduring effects that harm business confidence and hamper investment and growth in the mainland.

In this economic climate, no Hong Kong-based investor can be expected to sink \$100m into setting up a textile factory across the border when he knows that the threat of US sanctions will descend on the enterprise every summer, and that if a trade war does break out between the two, he will lose his livelihood. China's progress into the global economy is badly affected by the widespread piracy carried out there.

There is no question that the central government is anxious to see this practice stamped out, but the bureaucracy is too unwieldy to effect an overnight change.

At local level, officials are only too happy to ignore, or even tacitly encourage, the illicit production lines in their administrative area which give much-needed employment to locals, and earn valuable currency for impoverished regions.

Piracy also has the support of the ordinary people, because it puts the expensive consumer goods they covet within their grasp. Computer software and CDs are luxury items in China in the small towns and villages where a few thousand dollars may buy a family a home.

There is no hope of saving that kind of money with the meagre salaries paid in the Chinese civil service, on the farms or in any of the other traditional enterprises.

To the average man in the street, a factory turning out copies of US pop music for local consumption or to smuggle into Hong Kong, is hardly a heinous offence. No one in their circle has the wealth to buy these items legitimately.

How, then, can they be accused of harming the economy of a wealthy and developed nation like the US? How can they be expected to applaud shutting down a pirate factory in their locality when it means more unemployment?

This is a society, largely uneducated and desperately poor, unfamiliar with the capitalist system and unaware of the way the developed countries operate.

They have been bombarded with government-sponsored publicity campaigns explaining the copyright laws and

warning that piracy must stop. That simply means that local officials in many cases carry out government orders to raid shops and offices by sending out prior notice of their arrival, enabling the culprits to hide the evidence until things settle down again.

There is only one way in which the piracy problem can be effectively tackled by the Beijing authorities. That is by improving the government salary scale, and restructuring the entire economy so that the population has legitimate ways to improve their lot.

There is widespread tax evasion in China, despite the introduction of tax laws in 1994 that imposed the death penalty on those found guilty of large-scale VAT fraud.

Last year, at least a dozen offenders were sentenced to death for returning fake VAT invoices, but until the message gets through, and there are legal ways for the population to prosper, the rewards may make it worth the risk. Thus, government factories operating on large state subsidies do private deals on the side, and every aspect of life is permeated by bribery and corruption.

Corruption is endemic, and eradicating such an ingrained practice will take decades, not months or years.

That is why it is unrealistic for the US to expect that China can outlaw piracy between one year and another, no matter how many enforcement agreements are signed, or how genuine the will in Beijing.

Washington's frustration and anger is entirely understandable, but it is unprofitable all round. It will hurt both countries domestically and politically, and prolong the bad relationship between them.

A trade war between the two powers will have a drastic effect on Hong Kong but it serves to underline the importance of diversification in trade and industry. Too much reliance on either of our two main trading partners is not a good policy.

In the latest piece of brinkmanship, it is possible the US demands might be more quickly answered if they were to offer economic expertise to Beijing to restructure China's administrative system. It might also help if the US was to take a hard look at its own price structure for these goods.



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20 May 96



